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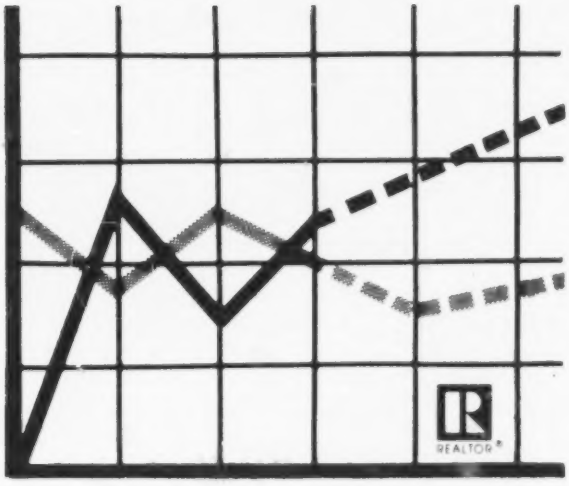
OUTLOOK FOR THE ECONOMY AND RESIDENTIAL, COMMERCIAL, AND INDUSTRIAL REAL ESTATE



BY

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October 1979

OUTLOOK FOR THE ECONOMY AND RESIDENTIAL, COMMERCIAL, AND INDUSTRIAL REAL ESTATE

U.S. Output, Unemployment, and Inflation

Signs of recession are evident. Consumer spending has slowed, indicating that American families are tightening their purse strings. Lower sales mean lower production which in turn means more job lay-offs in the months ahead. Unemployment is increasing and can be expected to exceed 7 percent during 1980. Average incomes will suffer until improvement next spring.

In the midst of the current recession, inflation continues high with consumer prices rising a record 13 percent so far during 1979. Since spring higher imported energy prices are causing necessities such as transportation from home to work and the heating of homes to increase much faster than income. All consumer prices are likely to continue to rise at double-digit rates during the next six months until government inflationary policies are changed. Nearly two-thirds of the accelerating inflation during the last three years has been caused by excessive federal spending and resulting deficits, inflationary growth of money supply and large increase in federal regulations and policies that require large increases in costs and prices. About one third can be attributed to OPEC crude oil price increases.

The Federal Reserve Board is attempting to cover ground lost during 1977 through 1979. The tardy and abrupt changes in monetary policy have caused both short and long-run interest rates to reach record and unexpected levels. Unless the federal government slows down spending and lowers inflation to reduce the federal deficits, which appear somewhat unlikely, the Federal Reserve Board is likely to fight inflation alone and require short-run interest rates to increase during the next few months and then decline modestly and long-run rates to remain at high levels during the remainder of 1979 and all of 1980.

Residential Real Estate

Home prices continue to escalate with average increases of 14 to 16 percent, about one-third faster than price increases of all consumer purchases. Home price increases with slower growth of typical household incomes are making it difficult to afford adequate housing for a growing number of Americans. In July of last year, the typical monthly payment for principal and average interest of 9 3/4 percent on a median priced home of $49,400 was $382 compared to payments of $506 on a median priced home of $57,900 in July of this year at an average interest rate of 11 1/4 percent. This marks an increase of 32 percent over the 12 month period. Some American families are having to settle for more modest housing than they had hoped to buy and some have had to postpone their purchase altogether.

Housing starts have declined by 14 percent or a seven times greater decline than other producing sectors in the economy. Housing starts may decline 10 percent more to 1.6 million units during the opening months of 1980 before rising above 1.9 million units by the last quarter of 1980. The decline will likely be modest compared to the 60 percent decline during the last recession in 1975. This fall off in housing production is occurring at a time when our nation needs to construct a minimum of two million units during both 1979 and 1980 and each year thereafter to keep pace with demand. The current production slowdown will create a shortage of housing for both young and older households and thus add to inflationary pressures on home prices. The housing shortage will increase by one-quarter million in 1979 and one-quarter million in 1980 or by one-half million units by the end of 1980. It will take five years of near capacity production before the shortfall in housing can be made up.

While too few new homes are being built, Americans are buying and selling existing homes to better satisfy their changing needs. Existing homes have been selling at a 3.7 million annual rate so far this year and could finish the year only 5 percent off the record volume during 1978, making 1979 the second best year in U.S. history. Only a modest decline in sales is likely during the remainder of 1979 and then improvement can be expected during 1980.

Commercial and Industrial Real Estate

Investment in commercial and industrial real estate is slowing down and can be expected to decline through 1980, a 2.2 percent decline for commercial and a 4.0 percent decline for industrial. However, the decline should be modest when compared with the last recession and may not disrupt the market for investment real estate in many communities across the country. The decline in outlays for industrial plant and office buildings is tied with the decline in industrial production through next summer, the lower capacity utilization of existing facilities through the end of 1980, the continued decline in real profits from current production or profits per unit of output, and the increase in federal corporate tax rates on profits from current production.

Failure to adjust for inflated inventories (IVA) and inadequate capital cost recovery (CCA) has greatly overstated profits and thus the incentive and capability to invest. While unadjusted profits after taxes appear to have risen from three to four percent of all goods and services produced in one year (GNP) in 1970-72 to five to six percent in 1976-79, the exact opposite has occurred and adjusted profits or profits from current production have actually declined and are now three to four percent of GNP and are forecast to decline around three percent during 1980. The decade of the 1970's has produced the lowest level of profits from current production since these statistics have been collected (see Chart 1). Corporate profits tax rates have climbed to 55 percent and have averaged above 50 percent during the 1970's, much higher than during the previous 20 years (see Chart 2). If more adequate commercial and industrial investment is to occur, the government must reverse policies that discourage savings and investment by enacting tax relief such as in the form of lower taxes on savings and more adequate depreciation allowances.

Chart 1

GROSS PROFITS AFTER TAXES
AND PROFITS FROM CURRENT PRODUCTION
AS A PERCENT OF GNP

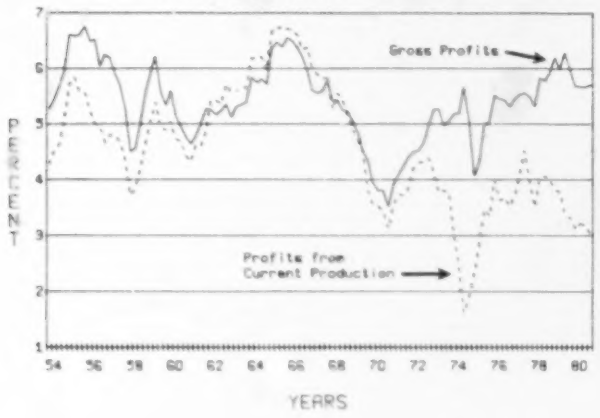
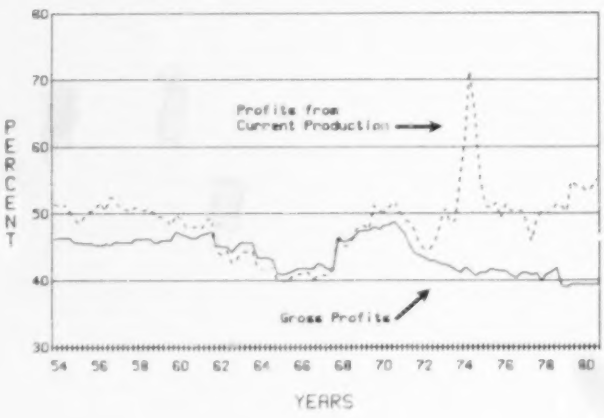


Chart 2

CORPORATE PROFIT TAXES AS A PERCENT OF
GROSS PROFITS AND
PROFITS FROM CURRENT PRODUCTION



OUTLOOK FOR THE U.S. ECONOMY AND REAL ESTATE

OCTOBER 1979

	QUARTERS								YEARS		
	Actual		Forecast						Actual	Forecast	
	79:1	79:2	79:3	79:4	80:1	80:2	80:3	80:4	1978	1979	1980
AGGREGATE ECONOMY											
Gross National Product (billions of dollars)	2,292	2,330	2,389	2,430	2,470	2,533	2,606	2,688	2,128	2,360	2,574
Percent Change	10.6	6.7	10.6	7.0	6.7	10.6	12.2	13.1	12.0	10.9	9.1
Percent Change (without Inflation)	1.1	-2.3	0.5	-2.5	-1.8	1.7	3.0	3.3	4.4	1.7	-0.1
Consumption	0.6	-2.9	1.5	0.3	-0.1	0.7	3.0	2.2	4.5	2.0	0.7
Residential Investment	-14.5	-6.8	-4.4	-12.9	-7.8	0.1	13.1	12.5	4.2	-6.6	-3.3
Nonresidential Investment	4.8	-0.8	1.6	0.1	-2.6	-1.4	0.7	3.3	8.4	5.1	-0.5
Structures	-5.6	19.2	2.8	0.2	-3.7	-3.5	-0.6	2.1	12.2	8.3	-0.1
Equipment	10.1	-8.9	1.0	0.1	-2.1	-0.4	1.3	3.8	6.7	3.7	-0.7
Exports	11.7	-3.4	6.8	3.1	2.5	2.5	3.5	5.4	10.6	7.8	3.0
Imports	-3.9	12.1	-3.3	1.4	0.2	0.3	1.2	5.8	11.1	4.0	1.2
Government Purchases	-1.9	-3.3	-1.3	2.7	1.6	1.6	1.3	1.6	1.8	-0.1	1.1
Residential Investment (percent of GNP)	4.0	4.0	3.9	3.8	3.8	3.8	3.8	3.9	4.3	3.9	3.8
Nonresidential Structures Investment (percent of GNP)	3.2	3.4	3.4	3.4	3.4	3.3	3.3	3.3	3.1	3.3	3.3
Inventory Change (billions of dollars)	19.1	33.4	26.2	8.6	-1.8	6.0	4.4	9.6	22.3	21.8	4.1
Mfg. Capacity Utilization Rate (%)	87	86	85	83	81	81	81	81	84	85	81
Manufacturing Industrial Production (percent change)	4.6	-1.0	-2.6	-7.0	-4.7	-0.3	2.9	6.9	6.1	3.5	-2.2
Productivity (percent change)	-3.0	-4.0	-0.8	0.6	-0.7	2.1	1.8	2.5	1.1	-0.9	0.3
Employment (millions)	96.6	96.4	96.8	96.7	96.6	96.6	96.8	97.0	94.4	96.6	96.8
Unemployment Rate (percent)	5.7	5.7	6.0	6.4	6.7	7.1	7.3	7.5	6.0	6.0	7.1
Real Personal Income (% change)	0.6	-0.3	-0.3	0.0	-0.8	1.5	4.4	3.9	5.0	2.4	0.8
Median Family Income	17,950	18,300	18,721	19,108	19,426	19,724	20,048	20,369	17,200	18,520	19,892
Producers Price Inflation (WPI)	14.6	13.1	11.7	10.8	9.5	9.6	10.1	10.8	7.8	12.0	10.9
Consumer Price Inflation (CPI)	11.1	13.6	13.6	12.4	10.0	9.3	9.0	8.4	7.7	11.3	10.7
Gross National Product Inflation (GNP Deflator)	9.3	9.3	10.1	9.8	8.8	8.7	8.9	9.5	7.3	9.1	9.2
Residential Construction Inflation	6.8	14.2	11.7	10.7	10.1	10.5	11.4	12.1	13.1	12.3	11.0
Nonresidential Construction Inflation	8.6	8.5	10.0	10.7	10.1	10.3	10.6	11.1	8.8	10.1	10.3
Compensation per Manhour (percent change)	10.7	7.8	8.3	10.4	10.9	10.4	11.0	10.9	9.3	9.2	10.2
NEW CONSTRUCTION PUT IN PLACE (Percent Change, Adjusted for Inflation)											
Total Private Nonresidential	-5.9	39.5	5.7	-10.7	-9.5	-11.1	-5.5	-3.4	15.8	12.6	-4.9
Commercial	-14.1	72.3	8.6	-9.4	-6.6	-9.2	-7.2	-2.6	15.4	13.2	-2.2
Industrial	11.5	10.6	5.3	-1.9	-7.0	-10.7	-4.3	-8.2	29.6	22.3	-4.0
Nonprofit Institutions	-11.7	16.0	-2.5	-30.7	-24.1	-18.7	-2.1	5.2	-0.[illegible]	-4.8	-15.7
GOVERNMENT (Billions of Dollars, NIA)											
Federal Tax Receipts	475	486	502	506	514	526	543	563	432	492	536
Federal Expenditures	487	493	514	536	548	562	583	601	460	507	574
Surplus or Deficit	-12	-7	-12	-30	-34	-36	-40	-38	-28	-15	-37
HOUSING MARKETS (Thousands of Units)											
Existing Single-Family Home Sales	3,660	3,727	3,815	3,641	3,712	3,898	3,986	4,186	3,905	3,711	3,945
Percent Change - Year Ago	-0.8	-3.2	-3.6	-11.6	1.4	4.6	4.4	15.0	9.3	-4.9	6.3
New Single-Family Home Sales	752	709	682	640	658	682	723	788	817	695	713
Percent Change - Year Ago	-5.8	-15.0	-14.9	-23.4	-12.4	-3.8	6.1	23.1	-0.5	-14.9	2.5
Private Housing Starts	1,615	1,834	1,767	1,657	1,603	1,693	1,844	1,966	2,020	1,718	1,776
Single-Family	1,119	1,264	1,209	1,102	1,088	1,158	1,284	1,384	1,433	1,174	1,228
Multi-Family	496	570	558	555	515	535	560	580	587	545	548
Mobile Home Shipments	284	274	270	260	239	242	238	237	278	272	239
Housing Inventory (millions)	82.4	82.6	82.9	83.3	83.5	83.8	84.1	84.4	81.6	82.8	83.9
Rental Vacancy Rate (percent)	4.8	5.0	4.9	4.9	4.8	4.8	4.7	4.8	5.0	4.9	4.8
HOUSING PRICES (Thousands of Dollars)											
Median Price - Existing Homes	52.6	55.8	57.8	58.2	59.4	61.8	63.7	64.9	48.7	56.1	62.5
Percent Change - Year Ago	14.0	15.9	15.6	15.2	13.0	10.8	9.8	11.5	13.5	15.3	11.2
Median Price - New Homes	60.7	62.5	64.9	67.1	68.3	70.0	71.9	75.1	55.7	63.8	71.3
Percent Change - Year Ago	14.7	14.5	14.2	14.1	12.5	11.8	10.8	11.9	13.9	14.4	11.7
Dollar Value - Existing Homes Sold (billions)	220.9	239.5	255.7	245.9	256.4	280.1	294.3	314.7	216.7	240.5	286.4
FINANCIAL MARKETS (Billions of Dollars)											
Total Time and Savings Deposits	1,199	1,210	1,232	1,251	1,268	1,285	1,307	1,336	1,125	1,223	1,299
Percent Change	9.3	3.9	7.4	6.4	5.6	5.3	7.0	9.3	11.7	8.7	6.2
Savings Rate (percent)	5.0	5.4	4.9	4.8	4.8	5.0	5.3	5.6	4.9	5.0	5.2
New Mortgage Commitments	124.4	135.6	129.0	122.3	115.8	114.7	126.2	139.6	135.3	127.8	124.0
Mortgage Debt Outstanding	1,205	1,234	1,266	1,294	1,315	1,336	1,360	1,388	1,113	1,250	1,350
1-4 Family	784	808	837	863	889	916	943	971	720	823	930
Money Supply (M2) (% change)	1.8	8.9	12.1	6.5	3.9	2.9	4.4	7.0	8.6	7.3	5.7
INTEREST RATES (Percent)											
Existing Home Mortgages	10.40	10.62	11.06	11.11	11.30	11.02	10.87	10.61	9.58	10.80	10.95
New Home Mortgages	10.23	10.50	11.00	11.08	11.30	11.07	10.88	10.76	9.54	10.70	11.00
S&L Deposits	6.92	7.07	7.29	7.33	7.22	7.21	7.24	7.29	6.51	7.15	7.24
AAA Corporate Bonds	9.29	9.39	9.30	9.51	9.67	9.46	9.40	9.39	8.72	9.37	9.43
Prime Commercial Paper	10.10	9.85	10.56	11.26	10.66	10.19	9.56	9.20	7.99	10.44	9.90
Federal Funds	10.07	10.18	11.02	11.60	11.18	10.71	9.86	9.34	7.93	10.72	10.27
CORPORATE PROFITS (Billions of Dollars)											
Before Tax Profits	233	228	247	240	231	236	244	253	206	237	241
Corporate Tax Liability	91	89	97	95	91	93	96	99	85	93	95
After Tax Profits	142	139	150	145	140	143	148	153	122	144	146
Inventory Valuation Adjustment	-40	-37	-53	-45	-41	-37	-38	-41	-25	-44	-39
Capital Consumption Adjustment	-15	-15	-17	-19	-22	-25	-28	-31	-13	-16	-27
Profits from Current Production	88	88	81	81	77	82	82	82	83	84	81
Adjusted for Inflation	88	86	77	75	71	73	72	70	88	81	71
Percent Change	-16.8	-6.8	-36.1	-9.0	-21.9	14.2	-4.9	-11.7	0.2	-6.9	-12.3
Per Unit of Output (percent of GNP)	3.8	3.8	3.4	3.3	3.1	3.2	3.2	3.0	3.9	3.6	3.1

Source: Model developed by the Economics and Research Division, NATIONAL ASSOCIATION OF REALTORS®, and Data Resources, Inc.
Assumptions by Dr. Jack Carlson, Robert Boley, Kenneth Kerin, Frank Katusak, and Glenn Crellin.

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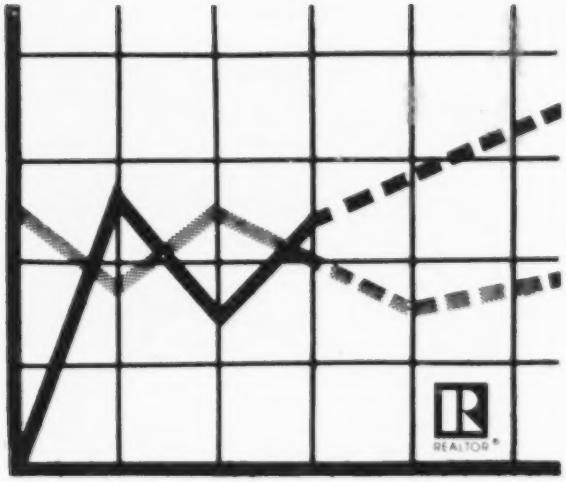

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November 1979

OUTLOOK FOR THE ECONOMY AND REAL ESTATE

Misdirected Government Economic Policies

The Federal Reserve Board has both increased interest rates to all-time record levels and changed its method for fighting inflation by directly limiting growth of the money supply through rigid control of non-borrowed bank reserves. After the Federal government caused two-thirds of the acceleration of inflation from about 6 percent in 1976 to 13 percent during 1979, any government effort to fight inflation should be welcomed. However, the government is now both fighting inflation through the new Fed policy and offsetting that effort by adding to inflation with other policies. The President and the Congress have added to inflation by accelerating Federal spending and by increasing the size of inflationary deficits; and no attempt is being made to correct the bad mix of policy by slowing spending, shrinking inflationary deficits, increasing availability of some loanable funds and lowering interest rates modestly. The Congress is unable to set any, let alone anti-inflationary, spending and deficit targets for fiscal year 1980. The second concurrent budget resolution remains stalled in the Congress in clear violation of the 1974 Budget and Accounting Act. The President ignores inflation by accelerating spending and increasing quarterly deficits and fails to exercise his authority to slow spending by delaying expenditures or proposing rescission of spending authority.

Also, Federal regulations and other cost-push policies, such as air and water regulations and increases in social security taxes, are adding two percentage points to inflation. If both credit policies and deficit spending policies were to fight inflation, short-term interest rates would decline by at least two percentage points and mortgage interest rates decline by at least one percentage point.

The Federal government is also crippling investment in structures and equipment by record high and growing tax rates on profits-from-current-production or construction. Government taxes away 51 percent of corporate profits-from-current-production now compared with 45 percent in 1977 and is forecast to increase the tax rate during the quarters ahead. Bad tax policy coupled with imbalanced economic policy is stopping investment in structures and equipment, crippling productivity of all workers, slowing income and output growth, and adding to both short and longer run inflation.

American workers, business people, and consumers are experiencing an average recession with recovery expected by next summer. OPEC crude oil price increase is responsible for causing the recession to deepen and for two percentage points of the current inflation rate. After adjusting for the 11 percent inflation forecast for 1980, personal income, retail sales and investment should improve by mid-1980; exports and Federal, state, and local government spending will increase through the next 12 months while other sectors decline.

Real Estate

Tighter mortgage credit and higher interest rates are slowing real estate activity. Both short and long term interest rates should peak during the next 120 days, with short term rates for construction and other purposes declining several points. Mortgage rates should drift slowly downward but not much below 11 percent.

Sales rates of existing homes may slow to a low of 3.5 million units during some months until spring, or down 15 percent from peak 1978 levels, before recovery begins. Housing starts may drift to 1.5 million units or down 29 percent from 1978 levels before recovering to register 1.64 million starts in 1980. The decline in housing construction will be much less severe than in the last recession but activity will be short of the two million units needed annually to meet anticipated housing demand. Nonresidential construction will also experience declining activity beginning in the fourth quarter of this year and may not turn upward for 12 months.

OUTLOOK FOR THE U.S. ECONOMY AND REAL ESTATE

NOVEMBER 1979

	QUARTERS							YEARS			
	Actual			Forecast				Actual	Forecast		
	79:1	79:2	79:3	79:4	80:1	80:2	80:3	80:4	1978	1979	1980	1981
AGGREGATE ECONOMY												
Gross National Product (billions of dollars)	2,292	2,330	2,392	2,436	2,464	2,504	2,569	2,642	2,126	2,362	2,545	2,872
Percent Change	10.6	6.7	11.0	7.6	4.7	6.7	10.7	11.9	12.0	11.0	7.7	12.8
Percent Change (without Inflation)	1.1	-2.3	2.6	-1.5	-3.5	-1.8	1.9	2.7	4.4	2.0	-1.0	3.7
Consumption	0.6	-2.9	4.3	-1.2	0.4	-1.8	1.4	3.5	4.5	2.2	0.3	3.4
Residential Investment	-14.5	-6.8	-4.8	-3.3	-18.7	-12.4	-8.5	0.4	4.2	-6.1	-9.4	6.6
Nonresidential Investment	4.8	-0.8	3.6	-4.5	-8.5	-5.2	-4.3	1.9	8.4	5.0	-4.0	2.3
Structures	-5.6	19.0	5.3	-3.6	-8.0	-6.0	-4.4	2.1	12.2	8.3	-2.6	0.3
Equipment	10.1	-8.9	2.5	-4.6	-8.7	-4.7	-4.2	1.9	6.7	3.5	-4.7	3.3
Exports	11.7	-3.4	24.4	0.9	1.9	1.5	1.1	2.4	10.6	9.8	3.7	3.4
Imports	-3.9	12.1	0.8	-1.7	-1.0	-2.3	-0.1	4.6	11.1	4.3	0.1	5.0
Government Purchases	-1.9	-3.3	0.3	2.1	0.9	1.9	1.4	1.2	1.8	0.1	1.0	1.7
Residential Investment (percent of GNP)	4.0	4.0	3.9	3.9	3.7	3.6	3.5	3.5	4.3	4.0	3.6	3.7
Nonresidential Structures Investment (percent of GNP)	3.2	3.4	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.3	3.3	3.2
Inventory Change (billions of dollars)	19.1	33.4	20.0	13.0	-3.2	-5.3	3.6	4.4	22.3	21.4	-0.1	21.8
Mfg. Capacity Utilization Rate (percent)	87	86	85	84	81	80	79	80	84	85	80	82
Manufacturing Industrial Production (percent change)	4.6	-0.9	0.2	-4.2	-9.5	-5.3	-1.8	6.5	6.1	4.1	-4.1	6.0
Employment (millions)	96.6	96.4	97.2	97.1	96.7	96.5	96.8	97.1	94.4	96.8	96.7	98.5
Unemployment Rate (percent)	5.7	5.7	5.8	6.2	6.9	7.3	7.5	7.6	6.0	5.9	7.3	7.4
Real Personal Income (% change)	0.6	-0.3	0.8	0.4	-0.6	1.1	4.0	3.	5.0	2.6	0.9	3.5
Personal Income per Household	24,468	24,948	25,566	26,109	26,582	27,174	27,956	28,65	22,788	25,273	27,602	30,792
Producers Price Inflation (WPI)	14.6	13.4	13.6	11.4	9.9	10.0	10.4	10.8	7.8	12.1	11.0	10.9
Consumer Price Inflation (CPI)	11.1	13.6	13.7	12.6	10.8	10.1	10.2	9.5	7.7	11.3	11.3	9.6
Gross National Product Inflation (GNP Deflator)	9.3	9.3	8.4	9.3	8.5	8.6	8.7	9.0	7.3	8.9	8.8	8.8
Residential Construction Inflation	6.8	14.6	13.5	10.4	10.3	10.4	11.2	11.9	13.1	12.6	11.2	11.7
Nonresidential Construction Inflation	8.6	8.5	13.1	10.3	10.5	10.1	10.2	10.5	8.8	10.5	10.5	10.8
Compensation per Manhour (percent change)	10.7	7.8	8.6	10.0	11.5	10.5	10.2	10.5	9.1	9.2	10.2	10.3
Productivity (percent change)	-3.0	-4.0	0.7	-1.0	-3.3	-2.2	1.8	1.5	.1	-0.8	-1.3	1.8
Unit Labor Cost (percent change)	14.1	12.8	7.5	11.2	15.3	12.9	8.3	8.8	8.1	10.1	11.7	8.3
Total Real Private Nonresidential Construction (% change)	-5.9	39.5	3.8	-16.5	-14.3	-16.2	-10.5	-4.1	15.8	11.9	-8.8	-0.3
Commercial	-14.1	72.3	6.8	-13.8	-9.8	-10.5	-13.5	-2.6	15.4	12.6	-5.2	1.8
Industrial	11.5	10.6	2.6	-1.2	-4.9	-11.4	-8.1	-14.2	29.6	21.9	-4.7	-7.3
Other	-11.7	16.0	-3.3	-48.5	-46.7	-35.3	-3.1	21.9	-0.4	-6.5	-29.6	10.7
GOVERNMENT (Billions of Dollars, NIA)												
Federal Tax Receipts	475	486	506	508	516	521	535	550	43.	494	531	597
Federal Expenditures	487	493	515	533	544	559	583	597	460	507	571	637
Surplus or Deficit	-12	-7	-9	-24	-28	-38	-48	-47	-28	-13	-40	-40
HOUSING MARKETS (Thousands of Units)												
Existing Single-Family Home Sales	3,660	3,727	3,870	3,587	3,522	3,702	3,766	3,840	3,905	3,711	3,707	4,096
Percent Change - Year Ago	-0.8	-3.2	-2.2	-12.9	-5.6	-0.7	-2.7	7.1	9.3	-4.9	-0.1	10.5
Dollar Volume (billions)	221.0	239.4	257.0	245.3	245.2	270.6	285.9	293.4	216.7	240.7	273.8	331.5
New Single-Family Home Sales	752	767	806	654	610	622	648	696	817	728	644	818
Percent Change - Year Ago	-5.8	-15.2	-0.1	-21.6	-18.8	-12.0	-19.0	6.3	-0.5	-10.8	-11.6	27.0
Private Housing Starts	1,815	1,834	1,825	1,705	1,501	1,592	1,690	1,776	2,020	1,745	1,640	1,930
Single-Family	1,119	1,264	1,236	1,159	1,044	1,105	1,175	1,247	1,433	1,195	1,143	1,354
Multi-Family	696	570	589	546	458	488	515	529	587	550	497	575
Subsidized	215	220	225	215	225	240	255	265	145	219	246	270
Mobile Home Shipments	284	274	279	268	221	225	226	224	278	276	224	239
Housing Inventory (millions)	82.4	82.6	82.9	83.3	83.6	83.8	84.0	84.3	81.4	82.8	83.9	85.1
Rental Vacancy Rate (percent)	4.9	5.0	5.2	5.0	4.8	4.8	4.7	4.7	5.0	5.0	4.8	4.8
HOUSING PRICES (Thousands of Dollars)												
Median Price - Existing Homes	52.6	55.8	57.6	58.0	58.7	61.8	64.4	66.9	48.7	56.0	62.4	68.9
Percent Change - Year Ago	14.0	15.9	15.2	14.6	11.6	10.8	11.4	12.0	13.5	15.1	11.4	10.3
Median Price - New Homes	60.7	62.4	63.3	64.9	66.5	68.4	70.5	72.8	55.7	62.8	69.6	78.5
Percent Change - Year Ago	14.7	14.4	11.4	10.3	9.6	9.5	11.4	12.2	13.9	12.6	10.7	12.8
FINANCIAL MARKETS (Billions of Dollars)												
Total Time and Savings Deposits	1,199	1,210	1,237	1,255	1,264	1,266	1,273	1,286	1,125	1,224	1,272	1,350
Percent Change	9.3	3.9	7.9	7.0	3.2	0.5	2.1	4.3	11.7	8.8	3.9	6.1
Savings Rate (percent)	5.0	5.4	6.1	6.6	6.5	5.2	5.8	5.7	4.9	4.8	5.3	5.6
New Mortgage Commitments	124.4	135.6	129.2	125.0	94.9	80.4	93.8	112.8	135.3	128.6	95.5	127.6
Mortgage Debt Outstanding	1,205	1,236	1,274	1,307	1,323	1,335	1,349	1,370	1,113	1,255	1,344	1,496
Money Supply (M2) (% change)	1.8	9.0	12.5	8.9	3.4	1.2	3.1	4.7	8.6	7.5	5.4	6.4
INTEREST RATES (Percent)												
Existing Home Mortgages	10.40	10.62	11.09	12.05	12.24	12.01	11.89	11.72	9.58	11.04	11.97	11.44
New Home Mortgages	10.23	10.50	10.94	11.74	12.12	12.02	11.86	11.72	9.56	10.85	11.93	11.26
S&L Deposits	6.92	7.07	7.29	7.35	7.27	7.29	7.35	7.35	6.51	7.16	7.32	7.29
AAA Corporate Bonds	9.29	9.39	9.29	10.35	10.21	10.18	10.12	10.07	8.72	9.56	10.15	10.09
Prime Rate	11.75	11.72	12.12	15.30	14.79	14.06	13.13	12.17	9.06	12.72	13.54	11.47
Federal Funds	10.07	10.18	10.95	13.95	13.97	12.92	11.53	10.63	7.93	11.29	12.26	10.46
CORPORATE PROFITS (Billions of Dollars)												
Before Tax Profits	233	228	244	232	223	220	224	230	206	234	224	266
Corporate Tax Liability	91	89	95	91	88	86	87	90	85	92	88	101
After Tax Profits	142	139	148	140	136	134	137	141	122	143	137	165
Inventory Valuation Adjustment	-40	-37	-41	-39	-38	-40	-44	-46	-25	-39	-42	-52
Capital Consumption Adjustment	-15	-15	-16	-20	-23	-25	-28	-30	-13	-17	-27	-30
Profits from Current Production	88	88	90	82	75	69	65	64	83	87	68	83
Adjusted for Inflation	88	86	86	77	68	62	57	55	88	84	61	68
Percent Change	-16.8	-6.8	0.1	-37.4	-36.0	-33.8	-26.8	-11.8	0.2	-3.9	-27.8	12.0
Per Unit of Output (percent of GNP)	3.8	3.8	3.8	3.4	3.0	2.7	2.5	2.4	3.9	3.7	2.7	2.9
Effective Corporate Tax Rate (percent)	51	50	51	53	54	55	57	58	50	51	56	55

Source: Model developed by the Economics and Research Division, NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions by Dr. Jack Carlson, Robert Boley, Kenneth Kerin, Frank Katusak, and Glenn Crellin.

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OUTLOOK FOR THE ECONOMY AND REAL ESTATE

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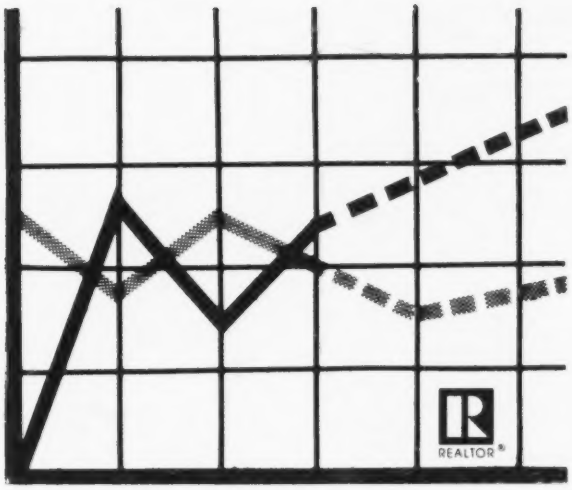

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December 1979

UNITED STATES ECONOMIC AND REAL ESTATE OUTLOOK

The United States is slipping into an average recession. Business investment and inventory plans for 1980 are cautious, housing purchases and starts are slowing and consumers are purchasing fewer automobiles. Consequently, the nation's output of goods and services could decline 2 1/4 percent and industrial production alone could decline 5 percent from mid-1979 to mid-1980. Unemployment could increase from 6 percent to 8 percent and industrial capacity utilization could decline from 86 percent to 79 percent over this period. Recovery should occur during the second half of 1980 and accelerate during 1981.

The unelected Federal Reserve Board is restraining inflation and investment growth by tight credit policies while the elected President and the elected Congress are stimulating consumption and potential inflation by high rates of Federal spending resulting in increasing quarterly and annual deficits. Also, government cost-push policies such as increases in costly regulations and the prospect of further increases in world oil prices foretell inflation at double-digit rates through 1980.

Wages are likely to increase as workers attempt to catch up with current and past inflation rates. Productivity will decline during the recession and grow slowly during 1981, much less than during past recoveries, and thus add to longer run inflation. Business profits from current production are expected to continue to decline causing less investment in productivity-increasing structures and equipment.

The peak in interest rates may have been reached or will occur within the next 60 days. Both because the Federal Reserve policies may continue to restrain inflation more responsibly during the next recovery and because of the recent ratchet up of interest rates to record levels, interest rates are not likely to decline below double-digit levels during the next few years.

Iranian Cloud

The Iran crisis could result in a cut-off of 2 to 3 million barrels of crude oil per day, or between 4 and 6 percent of the world's crude oil supplies, which in turn could cause world crude oil prices to increase by 50 to 75 percent during 1980 and 1981. This increase in oil prices might boost consumer inflation by 2 percent and cause short term interest rates to rise by over one percentage point, reducing the growth of national output in the United States by as much as 1 1/2 percent each year and lowering employment by more than 1 million jobs over the next two years. As a result, business investment might decline by 10 percent and residential investment by 15 percent during the period, equivalent to 300,000 fewer housing starts and completions and as many as 500,000 fewer home sales by 1981.

Residential Real Estate

Resales of single-family homes have remained high during 1979 and will achieve a near record, second only to 1978. Sales of existing homes will top 3.7 million this year compared to 3.9 million in 1978. However, resales will decline to a 3 1/2 million unit rate during the next 6 to 9 months because of higher interest rates before returning to 3 3/4 million rate by the end of 1980 and a new record in 1981.

Housing starts are particularly affected by higher interest rates and less available mortgage funds and can be expected to slip to a 1.5 million unit rate during the next 6 to 9 months before improving and reaching 1.9 million units in 1981.

Home prices will increase more slowly during 1980 and 1981 and only match the overall rate of inflation, instead of exceeding it as had been the experience during the last 10 years. The combination of a record increase in mortgage interest rates (10 percent in October 1978 and 11 1/2 percent in October 1979) and increases in the price of the median priced home from $50,100 in October 1978 to $56,300 in October 1979 have caused monthly payments of principal and interest (90 percent mortgage) to increase from $396 to $502 or by 27 percent since a year ago. During the next 12 months the monthly payment could increase again to $585 or by 9 percent, less than the forecast rate of inflation.

Both the historically small number of new but unsold homes and low vacancy rate in apartments indicate a forthcoming shortage of housing. Forecast starts and completions of new homes fall short of the underlying demand for at least 2 million new units each year during 1980 and 1981.

Commercial and Industrial Real Estate

High interest rates, limited supply of loanable funds and declining profits from current production will cause a decline in new investment and sales of existing commercial and industrial structures and equipment during 1980. Tax relief to reduce the near-record 53 percent effective corporate tax rate on profits-from-current-production forecast during 1980 would encourage both construction and sales of commercial and industrial capital. Liberalization of depreciation allowance and tax relief to encourage savings would help.

Farm Real Estate

Prices for agricultural produce and products are forecast to grow slower than inflation, causing the value of farm output and income to decline after adjusting for inflation. This, along with high interest rates and a limited supply of loanable funds, will cause investment in farm structures and land improvements to grow more slowly during the next year or two. Real estate values are likely to grow more slowly than in recent years, particularly after adjusting for inflation. Farm debt may increase more rapidly than assets. However, drought and disappointing harvests elsewhere in the world, such as already identified in Australia, could change this outlook.

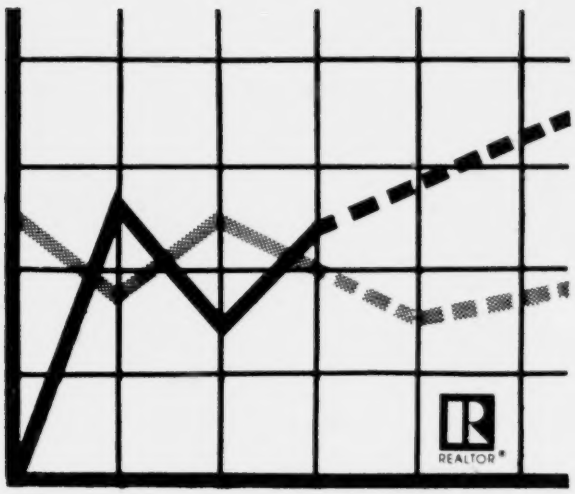
OUTLOOK FOR THE U.S. ECONOMY AND REAL ESTATE

DECEMBER 1979

	QUARTERS								YEARS			
	Actual			Forecast					Actual	Forecast		
	79:1	79:2	79:3	79:4	80:1	80:2	80:3	80:4	1978	1979	1980	1981
AGGREGATE ECONOMY												
Gross National Product (billions of dollars)	2,292	2,330	2,395	2,439	2,463	2,502	2,567	2,640	2,128	2,364	2,543	2,879
Percent Change	10.6	6.7	11.7	7.4	4.1	6.5	10.9	11.8	12.0	11.1	7.6	13.2
Percent Change (without inflation)	1.1	-2.3	3.4	-2.5	-4.3	-2.0	2.0	2.5	4.4	2.1	-1.3	4.2
Consumption	0.6	-2.9	4.8	-2.8	-1.6	-0.6	1.1	2.6	4.5	2.2	-0.3	3.8
Residential Investment	-14.5	-6.8	-0.7	-7.0	-15.2	-22.3	-4.9	8.3	4.2	-5.8	-10.3	11.5
Nonresidential Investment	4.8	-0.8	11.6	-7.5	-6.9	-7.0	-5.3	-1.4	8.4	5.8	-4.0	1.8
Structures	-5.6	19.0	7.0	-0.5	-7.9	-9.9	-9.0	-4.7	12.2	8.8	-3.6	-3.0
Equipment	10.1	-8.9	14.0	-10.7	-6.5	-5.5	-3.5	0.2	6.7	4.5	-4.2	4.1
Exports	11.7	-3.4	22.8	1.4	2.4	0.4	1.3	3.5	10.6	9.6	3.7	3.4
Imports	-3.9	12.1	-1.9	1.3	-1.1	-3.2	-3.2	-2.5	11.1	4.1	-0.7	2.7
Government Purchases	-1.9	-3.3	1.3	3.1	1.5	0.5	0.8	0.4	1.8	0.3	1.1	2.2
Residential Investment (percent of GNP)	4.0	4.0	3.9	3.9	3.8	3.6	3.5	3.6	4.3	4.0	3.6	3.9
Nonresidential Structures Investment (percent of GNP)	3.2	3.4	3.4	3.4	3.4	3.3	3.2	3.2	3.1	3.3	3.3	3.0
Inventory Change (billions of dollars)	19.1	33.4	15.3	13.2	-3.0	-5.1	4.8	5.4	22.3	20.3	0.5	16.6
Mfg. Capacity Utilization Rate (percent)	87	86	85	83	81	79	79	79	84	85	80	82
Manufacturing Industrial Production (percent change)	4.6	-0.9	0.5	-6.4	-7.9	-7.2	1.3	3.2	6.1	4.0	-4.2	6.5
Employment (millions)	96.6	96.4	97.2	97.2	96.9	96.6	96.5	96.6	94.4	96.8	96.7	98.2
Unemployment Rate (percent)	5.7	5.7	5.8	6.2	6.7	7.2	7.7	8.1	6.0	5.9	7.4	7.7
Real Personal Income (% change)	0.6	-0.3	2.1	-1.2	-2.6	0.3	3.4	2.5	5.0	2.7	0.0	3.7
Personal Income per Household	24,488	24,948	25,599	26,113	26,478	27,028	27,785	28,469	22,788	25,282	27,440	30,597
Producers Price Inflation (WPI)	14.6	13.6	13.4	17.9	11.6	10.3	10.4	10.6	7.8	12.6	12.6	10.6
Farm Products	30.9	7.1	-2.5	1.6	6.5	7.8	8.7	9.2	10.4	13.4	5.1	8.5
Consumer Price Inflation (CPI)	11.1	13.6	12.9	13.8	11.4	10.6	10.1	10.0	7.7	11.3	11.7	9.9
Residential Construction Inflation (GNP Deflator)	6.8	14.6	14.3	11.4	11.7	11.9	11.0	11.4	13.1	12.7	12.0	11.2
Nonresidential Construction Inflation (GNP Deflator)	8.6	8.5	13.8	11.1	11.0	10.4	10.2	10.5	8.8	10.6	10.9	10.3
Compensation per Manhour (percent change)	10.5	7.9	8.1	9.5	10.6	10.0	10.5	10.2	8.5	8.9	9.8	10.2
Productivity (percent change)	-3.4	-4.1	0.3	-0.2	-1.5	-0.2	1.7	1.7	0.5	-1.0	-0.3	2.3
Unit Labor Cost (percent change)	14.1	12.4	8.0	9.6	12.3	10.2	8.6	8.4	8.0	10.0	10.1	7.7
Federal Tax Receipts (NIA basis)	475	486	505	518	515	523	539	552	432	496	532	597
Federal Expenditures (NIA basis)	487	493	517	534	549	563	586	603	460	508	575	647
Surplus or Deficit (NIA basis)	-12	-7	-11	-16	-34	-41	-47	-51	-28	-12	-43	-50
Total Real Private Nonresidential Construction (% change)	-5.9	39.7	8.9	-20.3	-16.3	-17.9	-15.1	-9.0	15.8	12.2	-11.2	-5.0
Commercial	-14.1	72.3	26.3	-24.0	-18.6	-21.4	-20.4	-8.9	15.4	14.2	-11.3	-4.8
Industrial	11.5	10.6	-12.4	2.2	1.7	-7.4	-9.8	-15.2	29.6	19.8	-3.8	-8.9
Other	-11.7	16.9	1.8	-43.7	-41.6	-28.7	-6.7	9.2	-0.4	-5.3	-25.7	4.6
Real Gross Domestic Product - Farm (percent change)	2.4	22.0	-2.3	-16.7	-14.1	-10.1	-6.1	-3.9	-0.5	0.0	-8.9	-1.8
Proprietors' Income - Farm (percent change)	30.4	-13.7	-34.5	-55.9	-35.1	-21.4	-17.8	-4.4	31.4	3.7	-33.2	-1.6
Farm Assets (billions of dollars)	777.3	804.0	833.6	863.9	894.8	926.3	958.9	992.2	713.0	819.7	943.0	1,081.8
Farm Real Estate Debt (billions of dollars)	68.8	71.0	73.4	75.9	78.5	81.3	84.2	87.2	63.7	72.3	82.8	95.3
HOUSING MARKETS (Thousands of Units)												
Existing Single-Family Home Sales	3,660	3,727	3,877	3,782	3,502	3,676	3,734	3,788	3,905	3,761	3,675	4,072
Percent Change - Year Ago	-0.8	-3.2	-2.0	-8.1	-4.3	-1.4	-3.7	0.2	9.3	-3.6	-2.3	10.8
Dollar Volume (billions)	221.0	239.4	257.0	253.1	235.9	262.3	275.1	284.9	216.7	242.7	264.5	325.9
New Single-Family Home Sales	752	706	766	664	645	628	644	694	817	722	653	779
Percent Change - Year Ago	-5.8	-15.3	-4.4	-20.5	-14.3	-11.0	-15.9	4.5	-0.5	-11.6	-9.6	19.4
Private Housing Starts	1,615	1,834	1,831	1,707	1,509	1,451	1,553	1,690	2,020	1,747	1,551	1,884
Single-Family	1,119	1,264	1,238	1,151	1,020	982	1,050	1,151	1,433	1,193	1,051	1,293
Multi-Family	496	570	593	557	489	469	503	540	587	554	500	591
Subsidized	215	220	225	215	225	240	255	265	145	219	246	270
Mobile Home Shipments	284	274	276	268	236	225	224	223	278	276	227	238
Housing Inventory (millions)	82.4	82.6	82.9	83.3	83.6	83.8	84.0	84.2	81.4	82.8	83.9	85.0
Rental Vacancy Rate (percent)	4.8	5.0	5.2	5.0	4.9	5.1	5.2	5.2	5.0	5.0	5.1	5.1
Median Price - Existing Homes (thousands of dollars)	52.6	55.8	57.6	57.9	58.1	61.4	63.3	64.6	48.7	56.0	61.8	68.6
Percent Change - Year Ago	14.0	15.9	15.3	14.5	10.5	10.1	9.9	11.5	13.5	15.0	10.5	10.9
Median Price - New Homes (thousands of dollars)	60.7	62.5	65.9	67.7	69.3	70.9	72.5	74.3	55.7	64.2	71.7	79.8
Percent Change - Year Ago	14.7	14.4	15.9	15.1	14.1	13.5	10.0	9.8	13.9	15.0	11.8	11.2
FINANCIAL MARKETS (Billions of Dollars)												
Total Time and Savings Deposits (% change)	9.3	3.9	7.9	8.9	4.9	2.5	3.3	6.5	11.7	9.0	5.4	6.7
Savings Rate (percent)	5.0	5.4	4.3	4.3	4.6	4.8	5.1	5.1	4.9	4.7	4.9	5.2
New Mortgage Commitments	121.3	132.3	129.2	130.0	108.0	93.7	119.9	135.2	136.3	128.2	114.2	165.3
Mortgage Debt Outstanding	1,205	1,234	1,274	1,309	1,332	1,352	1,379	1,409	1,113	1,255	1,368	1,496
Money Supply (M2) (% change)	1.8	9.0	12.5	9.6	4.2	2.9	3.6	6.4	8.6	7.5	6.3	6.0
INTEREST RATES (Percent)												
Existing Home Mortgages	10.40	10.62	11.09	11.84	12.01	12.00	11.78	11.70	9.58	10.99	11.87	11.21
New Home Mortgages	10.23	10.50	10.94	11.62	12.14	12.11	11.98	11.87	9.54	10.82	12.03	11.50
S&L Deposits	6.92	7.07	7.29	7.34	7.26	7.26	7.31	7.35	6.51	7.16	7.29	7.29
AAA Corporate Bonds	9.29	9.39	9.29	10.61	10.46	10.39	10.26	10.15	8.72	9.65	10.32	9.93
Prime Rate	11.75	11.72	12.12	15.28	14.78	13.77	12.62	11.84	9.06	12.72	13.25	11.37
Federal Funds	10.07	10.18	10.95	13.57	13.03	11.48	10.70	10.00	7.93	11.19	11.30	9.91
CORPORATE PROFITS (Billions of Dollars)												
Before Tax Profits	233	228	243	238	226	222	228	235	206	235	228	261
Corporate Tax Liability	91	89	95	92	87	85	85	88	85	92	86	98
After Tax Profits	142	139	148	145	139	137	143	147	122	144	142	164
Inventory Valuation Adjustment	-40	-37	-44	-47	-44	-43	-40	-42	-25	-42	-42	-46
Capital Consumption Adjustment	-15	-15	-18	-19	-20	-22	-24	-26	-13	-16	-23	-27
Profits from Current Production	88	88	86	79	75	72	79	79	83	85	76	91
Adjusted for Inflation (79:1 base)	88	86	83	74	69	64	70	68	88	83	68	74
Percent Change	-16.8	-6.8	-14.4	-35.8	-24.7	-24.5	36.6	-6.8	0.2	-5.6	-17.9	9.8
Per Unit of Output (percent of GNP)	3.8	3.8	3.6	3.2	3.1	2.9	3.1	3.0	3.9	3.6	3.0	3.2
Effective Corporate Tax Rate (percent)	51	50	52	54	54	54	52	52	50	52	53	52

Source: Model developed by the Economics and Research Division, NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Hugh Graham, Robert Boley, Kenneth Kerin, Frank Katusak, and Glenn Crellin.

OUTLOOK FOR THE ECONOMY AND REAL ESTATE



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January 1980

UNITED STATES ECONOMIC AND REAL ESTATE OUTLOOK

The steep increase in energy costs last year and the tight monetary stance adopted by the Federal Reserve Board will push the United States into an average recession in 1980, with national output declining 2 1/4 percent from Fall 1979 to mid-1980, recovering in the second half of 1980. Strong growth should continue through 1981, with national output expected to increase by 3.4 percent.

The weakening of the economy early this year, already evident in the recent declines in housing starts and auto sales, will lead to an increase in the unemployment rate, peaking near 8 percent just in time for this year's November elections.

Wage increases will accelerate during the next two years as workers attempt to catch up with past inflation, putting further pressure on prices. The forecast decline in output per work hour (productivity) during the 1980 downturn will also add to inflation. Along with energy price increases, those pressures will be the primary cause of continuing high price inflation at 12 percent this year. Only modest improvement in productivity and slower growth in energy prices in 1981 is likely to allow consumer price inflation to slip to 10.7 percent.

Although some interest rates may ease slightly from previous peaks, a continuation of the Federal Reserve Board's tight credit policies and the 12 percent rate of inflation will keep interest rates at around current levels until the second half of the year. Mortgage rates for new commitments are expected to peak at just over 13 percent in the first 3 months of this year before easing to around 12 percent at year's end.

Impact of OPEC Crude Oil Price Increases

The future course of energy prices and supplies dominate both the short run and long run outlook for the economy. The United States has not yet felt the full impact of the more than doubling of OPEC oil prices in 1979 and the threat of even higher prices late in 1980 and 1981. The oil price increases announced during 1979 will alone dramatically slow economic activity during 1980, with U.S. output 2 percentage points lower, insuring a recession, and consumer prices 2 1/2 percent higher, insuring double-digit inflation. The housing and construction sectors will bear the disproportionate share of this impact. The higher inflation caused by OPEC oil price increases has caused mortgage rates to increase by more than 1 percentage point and is expected to reduce new housing starts by 250,000 units in 1980, or by 15 percent below what they would otherwise have been. Sales of existing homes will be 350,000 units lower as a result of OPEC price increases, representing 10 percent of this year's total. Construction of commercial structures will be down 8 percent and industrial structures down 2 percent due to OPEC price increases.

Impact of the "Windfall Profits" Tax (a new Federal Sales Tax on Domestic Oil)

Solutions to the overdependence of the U.S. on imported oil require long run policies to increase domestic energy supplies and encourage conservation.

Unfortunately, necessary actions to decontrol domestic oil prices and encourage conservation through tax credits to residential and industrial energy users will be more than offset by the proposed "windfall profits" tax on domestic oil production. This new sales tax on domestic oil producers will reduce domestic production nearly 1,000,000 barrels per day by the end of the decade. This represents 5 percent of current usage, equivalent to about 168 gallons of home heating fuel or gasoline enough to drive over 4,000 miles each year. This reduction in domestic production will increase oil imports and encourage greater dependence on foreign suppliers. As a result, world oil prices are likely to be as much as 20 percent higher and all consumer prices up by nearly 1 percent. Business investment will be 3 percent lower, housing starts reduced by 100,000 units and sales of existing homes reduced by nearly 200,000 due to the tax.

Residential Real Estate

Despite the marked weakening of resales of single-family homes during the last 2 months of 1979, sales will top 3.7 million units this year. However, with mortgage interest rates above 12 percent and the economy in a recession, further declines in resale activity can be anticipated during the next several months before a modest recovery in mid-1980. Resales of existing homes are likely to average only 3.5 million units this year before recovering to 3.9 million units in 1981, slightly above the record level achieved in 1978.

New housing starts have already declined as a result of the tight credit stance of the Federal Reserve Board, falling to a seasonally adjusted annual rate of 1.52 million units in November. Starts are likely to fall even further during the first 6 months of this year, averaging only 1.4 million units before improving to 1.6 million units during the second half of 1980.

High interest rates and the depressed state of the housing market should reduce the rate of increase of home prices this year to slightly under the overall rate of inflation. Existing home prices are forecast to increase 11 percent this year, significantly less than the 14.3 percent gain in 1979. Continued double-digit inflation and a modest recovery in housing demand should result in a slightly greater increase (12 percent) in 1981.

Despite the dip in housing sales and starts, the longer run outlook remains bright. An increase in the number of new households over the next 6 years will generate a substantial demand for new housing.

Commercial and Industrial Real Estate

Business investment in non-residential structures has not been affected as quickly by the recent tight monetary policies as housing construction, but a marked slowing of growth rates from the very high levels achieved during the first 9 months of 1979 is already evident.

The delayed reaction to higher interest rates together with the marked decline in profits from current production expected this year should cause non-residential construction to downturn starting in the second quarter of this year with a recovery delayed until mid-1981. Overall, investment in non-residential structures is likely to fall by 0.5 percent this year and another 2 percent in 1981, compared with the 8.9 percent growth achieved last year.

OUTLOOK FOR THE U.S. ECONOMY AND REAL ESTATE

JANUARY 1980

	QUARTERS								YEARS			
	Actual	Forecast							Actual	Forecast		
	79:3	79:4	80:1	80:2	80:3	80:4	81:1	81:2	1978	1979	1980	1981
AGGREGATE ECONOMY												
Gross National Product (billions of dollars)	2,396	2,460	2,497	2,536	2,599	2,676	2,765	2,864	2,128	2,370	2,577	2,927
Percent Change	11.9	11.0	6.2	6.4	10.2	12.4	14.1	15.1	12.0	11.4	8.7	13.6
Percent Change (without inflation)	3.1	0.0	-3.3	-3.5	0.1	2.1	4.4	5.4	4.4	2.2	-1.1	3.4
Consumption	4.9	0.3	-1.5	-1.7	-0.3	1.5	3.9	5.2	4.5	2.4	-0.2	3.2
Residential Investment	-1.4	-13.0	-25.2	-24.0	5.3	20.5	31.3	25.2	4.2	-6.3	-12.9	17.9
Nonresidential Investment	10.8	1.3	-0.9	-5.3	-5.6	-4.8	2.9	5.1	8.4	6.3	-0.8	0.9
Structures	7.1	1.0	0.0	-5.8	-7.7	-8.2	-1.0	1.8	12.2	8.9	-0.5	-2.0
Equipment	12.3	1.9	-1.3	-5.1	-4.7	-3.2	4.7	6.7	6.7	5.2	-0.9	2.3
Exports	23.2	5.5	-1.2	-0.2	-0.3	1.9	4.6	5.7	10.6	10.0	3.2	3.6
Imports	-3.1	2.7	-1.1	-1.9	-0.9	1.6	5.2	6.7	11.1	4.1	0.2	4.0
Government Purchases	1.0	2.5	0.5	0.1	0.0	0.3	0.6	1.0	1.8	0.2	0.5	0.6
Residential Investment (percent of GNP)	3.9	3.8	3.6	3.4	3.4	3.5	3.8	3.9	4.3	3.9	3.5	4.0
Nonresidential Structures Investment (percent of GNP)	3.4	3.4	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.3	3.4	3.2
Inventory Change (billions of dollars)	14.5	10.1	4.0	-4.0	-0.4	4.8	7.7	10.9	22.3	19.3	1.1	14.1
Mfg. Capacity Utilization Rate (percent)	85	84	82	80	79	79	80	82	84	86	80	82
Manufacturing Industrial Production (percent change)	0.5	-1.1	-5.4	-8.8	-1.1	2.7	7.7	11.1	6.1	4.4	-3.2	5.7
Employment (millions)	97.2	97.5	97.1	96.7	96.6	96.8	97.4	97.9	94.4	96.9	96.8	98.4
Unemployment Rate (percent)	5.8	6.0	6.7	7.3	7.7	7.9	7.8	7.7	6.0	5.8	7.4	7.6
Real Personal Income (% change)	2.0	-0.7	-2.4	-1.0	1.8	2.0	3.0	4.9	5.0	2.7	-0.4	3.3
Personal Income per Household (average)	25,577	26,236	26,742	27,317	28,058	28,772	29,528	30,458	22,766	25,294	27,722	31,071
Producers Price Inflation (WPI)	13.6	19.9	14.0	13.0	12.9	12.3	11.8	11.9	7.8	12.7	14.5	12.3
Consumer Price Inflation (CPI)	12.9	13.9	12.3	10.8	10.3	10.1	10.3	10.6	7.7	11.3	12.1	10.7
Gross National Product Inflation (GNP Deflator)	8.5	11.0	9.8	10.3	10.1	10.0	9.2	9.2	7.3	9.0	10.0	9.8
Residential Construction Inflation	14.0	11.7	11.3	11.0	12.1	12.7	12.3	12.6	13.1	12.7	12.0	12.6
Nonresidential Construction Inflation	13.5	13.2	13.1	12.2	11.9	11.7	11.1	11.8	8.8	10.7	12.5	12.0
Compensation per Manhour (percent change)	8.4	9.1	11.1	10.6	10.7	10.3	10.2	11.4	8.5	8.9	10.0	11.2
Productivity (percent change)	-0.7	-0.6	-1.7	-2.3	-0.4	0.8	2.0	2.2	0.5	-1.1	-1.3	1.3
Unit Labor Cost (percent change)	9.4	9.6	13.0	13.0	11.0	9.2	8.0	9.0	8.0	10.2	11.4	9.7
Before Tax Corporate Profits (billions of dollars)	242	255	245	228	229	231	244	255	206	240	233	262
Corporate Tax Liability	94	99	95	88	89	87	92	96	85	93	90	99
After Tax Profits	148	156	150	139	139	144	152	159	122	146	143	163
Inventory Valuation Adjustment	-44	-56	-50	-51	-51	-50	-50	-51	-25	-44	-51	-53
Capital Consumption Adjustment	-18	-20	-22	-24	-27	-25	-28	-31	-13	-17	-24	-33
Profits from Current Production	87	80	78	64	61	68	74	77	83	86	68	77
Adjusted for Inflation (79:3 base)	87	78	74	60	55	61	64	65	91	86	63	65
Percent Change - Year Ago	-9.4	-18.8	-18.6	-33.4	-36.2	-22.1	-14.3	9.0	0.2	-5.4	-27.7	3.2
Per Unit of Output (percent of GNP)	3.6	3.2	3.1	2.5	2.3	2.6	2.7	2.7	3.9	3.6	2.6	2.6
Effective Corporate Tax Rate (percent)	52	55	55	58	59	56	56	56	50	52	57	56
Federal Tax Receipts (NIA basis)	505	527	527	532	552	554	568	593	432	498	541	609
Federal Expenditures (NIA basis)	516	533	548	564	586	603	618	633	460	507	575	646
Surplus or Deficit (NIA basis) <1>	-11	-6	-20	-32	-34	-49	-49	-40	-28	-9	-34	-37
HOUSING MARKETS												
Existing Single-Family Home Sales (thousands)	3,877	3,688	3,475	3,499	3,561	3,641	3,804	3,891	3,905	3,73.	,544	3,932
Percent Change - Year Ago	-2.0	-10.4	-5.1	-6.1	-8.1	-1.3	9.5	11.2	9.3	-4.2	-5.2	10.9
Dollar Volume (billions)	257.3	241.1	235.4	249.7	263.9	270.8	289.6	312.9	216.7	239.7	254.9	319..
New Single-Family Home Sales (thousands)	757	671	634	635	686	720	759	761	817	722	664	773
Percent Change - Year Ago	-5.5	-19.6	-15.7	-10.1	-12.1	7.2	19.7	19.9	-0.5	-11.7	-8.0	16.5
Private Housing Starts (thousands)	1,834	1,565	1,439	1,326	1,527	1,625	1,824	1,918	2,020	1,712	1,479	1,926
Single-Family	1,238	1,014	960	918	1,056	1,128	1,239	1,301	1,433	1,159	1,016	1,309
Multi-Family	596	552	479	408	471	496	586	617	587	554	464	617
Subsidized	225	215	225	240	255	265	270	275	145	219	246	270
Mobile Home Shipments (thousands)	276	273	238	211	214	214	236	242	278	277	219	246
Housing Inventory (millions)	82.9	83.3	83.5	83.7	83.9	84.2	84.4	84.7	81.4	82.8	83.8	84.9
Rental Vacancy Rate (percent)	5.2	5.0	5.2	5.4	5.5	5.5	5.5	5.5	5.0	5.0	5.4	5.4
Unsold New Homes (percent of sales)	56.1	58.1	68.5	70.5	70.7	70.8	66.0	64.4	50.1	56.9	70.1	64.5
Existing Home Prices - Median (thousands of dollars)	57.6	56.5	58.4	61.4	63.7	63.8	65.3	69.0	48.7	55.6	61.8	69.5
Percent Change - Year Ago	15.3	11.8	11.2	10.1	10.5	12.9	11.7	12.3	13.5	14.3	11.2	12.4
New Home Prices - Median (thousands of dollars)	65.8	67.6	69.2	70.9	72.9	75.3	77.7	80.2	55.7	64.1	72.1	81.6
Percent Change - Year Ago	15.7	15.0	14.0	13.4	10.8	11.3	12.1	13.1	13.9	15.0	12.3	13.3
FINANCIAL MARKETS												
Total Time and Savings Deposits (% change)	8.5	10.5	6.1	3.8	3.5	4.6	8.9	10.0	11.7	9.1	6.2	7.6
Savings Rate (percent)	4.3	3.5	3.9	4.1	4.2	4.9	5.1	4.9	4.9	4.6	4.3	5.0
New Mortgage Commitments (billions of dollars)	139.1	127.0	92.9	77.8	89.3	112.4	135.1	153.4	136.3	129.9	93.1	151.7
Percent Change - Year Ago	8.1	-14.8	-23.4	-41.2	-35.8	-11.5	45.4	97.1	1.8	-4.7	-28.3	63.0
Mortgage Debt Outstanding (billions of dollars)	1,285	1,317	1,341	1,360	1,376	1,395	1,422	1,452	1,113	1,264	1,368	1,469
Money Supply (M2) (% change)	12.6	10.1	5.9	4.8	4.2	4.6	8.2	9.6	8.6	7.5	7.1	7.4
New Home Mortgage Commitment Rate (percent)	11.25	12.27	13.11	13.03	12.55	12.08	11.99	11.80	.9.69	11.23	12.69	11.82
AAA Corporate Bond Rate (percent)	9.29	10.53	10.49	10.46	10.35	10.26	10.16	10.15	8.72	9.63	10.39	10.22
Prime Rate (percent)	12.12	15.04	14.63	14.15	13.19	12.13	11.05	11.14	9.06	12.66	13.52	11.28
Federal Funds Rate (percent)	10.95	13.62	13.66	12.90	11.59	10.56	9.79	10.09	7.93	11.20	12.18	10.39

<1> Assumptions include a cut in Federal personal income taxes of $10 billion (at an annual rate) in 1980:4, increasing to $20 billion after 1981:1; a $10 billion rollback in scheduled social security taxes after 1981:1; and a $5 billion (annual rate) cut in corporate income taxes beginning 1980:4.

Source: Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Hugh Graham, Kenneth Kerin, Robert Boley, and Glenn Crellin.

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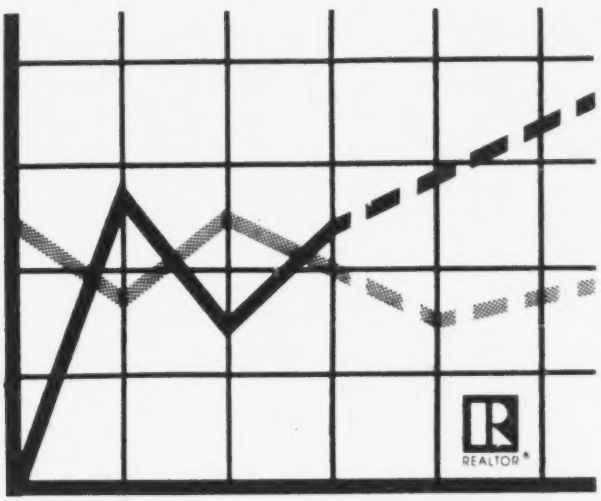
OUTLOOK FOR THE ECONOMY, REAL ESTATE AND ECONOMIC POLICIES



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February 1980

U.S. ECONOMIC OUTLOOK

Despite a marked weakening in several important areas of the economy, strong growth in consumer expenditure on nondurables and services continues to postpone the onset of the next recession. However, this growth in consumer purchases together with higher energy costs has been achieved through higher personal debt and a reduction in personal savings and with the savings rate falling to a record low 3.3% in the final 3 months of last year. Business investment in nonresidential structures and a strong export performance are also currently adding strength to the economy.

Most of these props to the economy can be expected to erode during the next six months, with overall output forecast to decline by 1.3%--a less than average recession--by the end of the summer. A modest recovery should begin in the latter part of the 1980 and continue into 1981, with improvements in consumer spending on housing and autos, business investment in equipment and government expenditures, particularly for defense.

The impact of higher authorizations for the military in 1981 on the economy is already beginning to be felt through an acceleration in business investment and hiring in defense industries. This in part can be expected to grow this year even though actual increases in Federal outlays will occur next year. Defense-motivated employment and investment will reduce the likelihood of an average recession and increase the likelihood of only a mild recession. Unfortunately, the defense build-up also causes some bidding up of salaries and wages of skilled workers and construction costs and thus helps to ensure double-digit inflation for both 1980 and 1981. The increase in defense spending, together with the massive boost to government spending in other areas in FY 1980 is likely to add over 1/2 a percentage point to the inflation rate over the next two years. Inflation can be expected to remain high throughout 1980 and at best drift down by only one percentage point by the end of the year.

Workers' wages have grown slower than both consumer prices and government taxes in the last year and workers can be expected to bargain for higher wage increases this year. Compensation is forecast to increase by 11 percent during 1980 and 1981 compared to 9 percent during 1979, while average output per hour is likely to decline even more during 1980 than in 1979. Both lower productivity growth and higher wages will cause labor costs for each unit of output to jump up by about 12.7% in 1980, up 2 1/2 percentage points from 1979.

The major cause of higher inflation since 1976, the lowest annual rate during the current economic cycle, is government. Nearly two-thirds of the increase in consumer prices from 4.8 percent during 1976 to 13.3 percent during 1979 was rapid growth of Federal spending resulting in inflationary Federal deficits; excessive expansion of money supply; and government regulations and legislaton mandating higher labor and nonlabor costs. About one-third was caused by OPEC (see Graph 1).

Residential, Commercial, and Industrial Real Estate

Sales of existing homes dropped 14% from an annual rate of 4.0 million units in October to 3.6% in November and 3.4% in December. Preliminary information in January indicates that the downtrend may have stopped and improvement may be occurring in spite of record high mortgage interest rates and continued restrictions on eligibility for mortgages. The ninety-day Federal override of restraining usury laws is part of the reason for improvement.

The median price of existing homes sold rose in December following November's fall and can be expected to increase further during 1980 and be 11% higher 12 months

from now. However, this increase in home prices will be 1 percentage point less than the increase in consumer prices over the period. This decline in the real median price means bargains for homebuyers in 1980 compared to waiting until 1981. Mortgage interest rates would have to decline by an unlikely 1 1/2 percentage points to offset the advantage of buying today instead of 12 months from now.

Housing starts dropped from 1.9 million units in September to 1.5 in December, a decline of about 20%. Further declines can be expected before the forecast improvement during the summer. Federally subsidized units are scheduled to increase modestly and replace some of the loss of private starts during this year. Government subsidized units could account for more than 50% of starts of multifamily structures during 1980. In addition, the government could make new commitments under the Emergency Housing Assistance Act (Brooke-Cranston) and provide subsidies of 100,000 or so additional units during 1980 and 1981.

Mortgage interest rates for new commitments are setting new records, 13 to 13 1/2 percent for 75% of the value of the median priced house. The monthly payment for principal and interest on the median priced home has risen from $357 to $447 or by 25% during the last 12 months. Two thirds of the increase was caused by higher mortgage interest rates and one third by higher housing prices. The higher mortgage interest rate is caused by inflationary deficit spending causing higher interest rates with the Federal Reserve Board standing alone in the fight against inflation. If government economic policies improve, housing sales and construction can markedly improve.

While commercial and industrial construction remained quite strong in the closing months of 1979, high interest rates and the economic slowdown will cause a decline in nonresidential construction through the middle of 1981 followed by a modest upturn in the latter part of next year.

President's Economic Outlook

At least once a year the Federal government is required to give a forecast of the economy. The 1980 and 1981 inflation forecast is provided in the following table as well as the past track record of Presidential forecasts. The President and his staff have consistently underestimated inflation and thus selected economic policies that failed to fight inflation. This consistent pattern is forecast to continue.

TABLE 1

THE ADMINISTRATION'S INFLATION FORECASTS
(Fourth Quarter to Fourth Quarter)

	1977	1978	1979	1980	1981
Inflation (Consumer Price Index)					
President Carter	6.0	6.5	7.5	10.4	8.6
Actual	7.0	9.0	13.2	12.3[1]/	11.2[1]/
Difference Carter and Actual	1.0	2.5	5.7	1.9[1]/	2.6[1]/

1/ NAR Forecast

Source: Economic and Budget Reports of the President, the Council of Economic Advisors and the Office of Management and Budget; forecasts of the NATIONAL ASSOCIATION OF REALTORS®.

FEDERAL ECONOMIC AND BUDGET POLICIES

The economic outlook is influenced by the economic policies of government; spending, taxing, size of deficit, regulations, and growth of money and the supply of credit. T..e President's proposed 1981 budget continues the Carter administration's pattern of excess growth in Federal spending financed by large deficits and inflation-induced increases in tax rates.

The 1981 budget calls for a $52 billion increase in outlays to a total of $615.8 billion. Most of these increases are for redistribution of income programs (up over 14%) and only one fifth for defense (up less at 12.2%). Following on the massive 14.2% increase in Federal outlays estimated for fiscal year 1980, the FY 1981 budget lifts the average growth in Federal spending under the current administration (FY 1977-FY 1981) to almost 11% compared to 8.4% growth in personal income per worker and 8.1% growth in profits.

Fiscal Year 1980 (October 1, 1979 to September 30, 1980)

The record $70 billion increase in spending for the current fiscal year is now nearly twice as much as the President proposed initially last January. When all outlays are considered, both on-budget and off-budget, Federal spending is expected to rise to 23.2% of all output or gross income (GNP) (see Table 2), the highest level in the peacetime history of the United States. The bulk of the increases are in the nondefense areas, especially in programs that redistribute income, create and enforce regulations and in all three branches of the government (up 24% for Congress, up 30% for the Federal Courts and up 14% for the Executive Branch).

The 14% plus growth in spending is so large as to exceed the increase in taxes, which are estimated to increase by 12.4% or by $775 per household, the second highest dollar increase in U.S. history. Thus, the President estimates the budget deficit will increase from $28 billion in FY 1979 to $40 billion. When "off-budget outlays" are included the Administration estimates the Total Deficit will climb from $40 to $57 billion, the highest deficit since President Carter assumed the Presidency in 1977. When more realistic estimates are made of both outlays and receipts, this deficit climbs still higher to $64 billion (see Table 2).

Fiscal Year 1981 (October 1, 1980 to September 30, 1981)

As if a new era is to occur when FY 1980 ends on September 30 and FY 1981 begins on October 1, 1980, the President proposes that Federal spending growth abruptly slow from 14.2% growth to 9.3%. This reflects overnight repentence of high-spending elected Federal officials concerned about elections in November 1980. The only way the President could even propose such an unlikely budget is to push spending back into 1980 and forward into FY 1982, propose selling of very large amounts of Federal government assets, including both financial and mineral resources, and propose cuts in programs that the Congress has already refused to cut for many years such as milk subsidies for school children and impact aid. It is more realistic to expect that the President and the Congress will expand the FY 1981 budget similar to the FY 1980 budget and the deficit could remain at the same high level, a budget deficit above $30 billion and a total deficit above $50 billion.

While Federal spending is likely to proceed unchecked, the FY 1981 budget ignores the pressing need for tax relief. The President proposes to increase Federal taxes by $76.2 billion or by 14.5%, equivalent to over $1,000 per household. Moreover, the President's estimates are likely to be low because inflation is likely to be higher than his usual optimistic forecast. Even by the President's estimates the Federal tax burden on the average household would double from $4,000 in FY 1976 to $8,000 estimated for FY 1981. It took 200 years to increase Federal taxes to $4,000 but only another 5 years to increase it $4,000 more.

Such huge increases in taxes have had and will have a depressing effect on investment in residential, commercial and industrial structures and equipment. Increasses in the share of Federal corporate profits from current production and declining profit margins have caused slow growth in investment, accompanied by declines in capital per worker and slow productivity growth. Consequently, workers incomes, after adjusting for inflation, have improved very little (Graphs 3, 4 and 5).

With more realistic estimates of taxes and outlays the total deficit could be $55 billion and be similar in size to the deficit in 1980 and 1977, President Carter's first year in office. It would be difficult for the President or the Congress to claim fiscal stringency during 1977 through proposed 1981. Moreover, the President rejects any alternative budget posture, including slower spending growth, slower growth in taxes, smaller deficits, or changes in the composition of either spending or taxing.

Monetary Policy

Only the Federal Reserve Board is attempting to fight inflation, after adding to inflationary growth of money supply during 1977-1979. However, without the help of fiscal policy, the Federal Reserve's efforts are causing record-level interest rates which in turn are crippling investment in housing and slowing investment in commercial and industrial structures and equipment. Clearly, loose fiscal policy and tight monetary policy are anti-housing and anti-investment and particularly hurt small business people. It also means that inflation will not come down very soon.

Regulatory Policy

The President's proposed 17% growth in regulatory authority budgets for FY 1977 through FY 1981 has resulted in more regulations which in turn have added to the costs and prices of consumer goods and services. The President's four-year 66% increase of nearly $2 billion is causing nearly 2 percentage points of the current and forecast inflation, equivalent to a loss of $500 in purchasing power for the average consumer. Moreover, many of these regulations, according to Prof. Paul MacAvoy, have no measurable benefits to consumers, workers or business people.

Policies Affecting Real Estate

The President proposes a smaller urban program of government-assisted housing in FY 1980 (Title VIII) and a somewhat larger program in FY 1981. In contrast, he proposes a somewhat larger rural program in 1980 but then shrinks it in 1981. He promises to unveil a new subsidy program for low-income borrowers in 1981.

The President proposes amending the Emergency Mortgage Purchase Assistance Act (Brooke-Cranston) so that it will be available if needed. No new commitments are anticipated in the Budget Accounts. Purchases under the old commitments are estimated at $1.2 billion in 1980 and $0.5 billion in 1981.

The Community Development Block Grant which provides flexible funds to communities is proposed at $3.9 billion for 1980 and 1 percent higher to $3.95 billion for 1981. The Urban Development Action Grant Program, which provides discretionary funds to spur investment in inner cities, remains level at $675 million for both 1980 and 1981.

The President proposes $2 million or a 50 percent increase in funds for investigating housing discrimination, earmarked for community housing resources boards and an additional 122 Federal employees would be added for HUD's in-house enforcement of fair housing.

The Administration proposes "simplification and consolidation of basic housing laws on mortgage insurance and mortgage credit activities of FHA and GNMA."

The small improvements in Federal housing programs are a drop in the bucket compared to the loss of new construction and sales caused by record-high mortgage interest rates and scarcity of construction money which is being caused by excessive Federal spending and deficits. The Government policies are hurting housing at least ten times more than the expected loss of output of all other goods and services. In fact, housing is being crippled during this mild recession more than five other more severe recessions during the last 30 years.

POLICY RECOMMENDATION

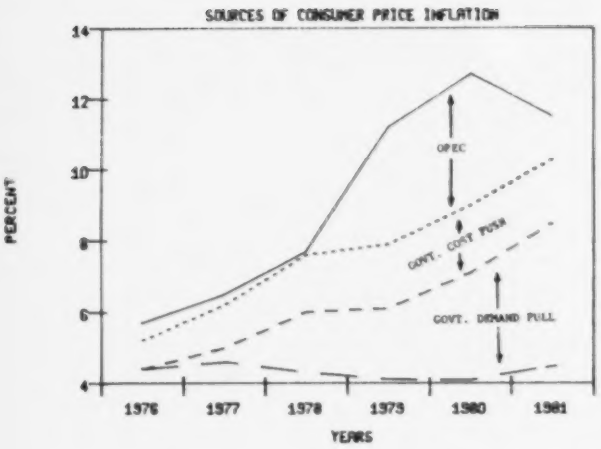
The appropriate economic policies to fight inflation and return to economic health are a slowing of Federal spending during the remainder of FY 1980 and FY 1981 and subsequent years, achieving a balanced budget in FY 1981 and beginning to slow the record growth of Federal taxes--including significant tax relief to encourage savings and investment in housing, commercial and industrial structures and equipment. The rate of inflation could be reduced significantly. The after tax income of all Americans would be higher in every future year.

TABLE 2

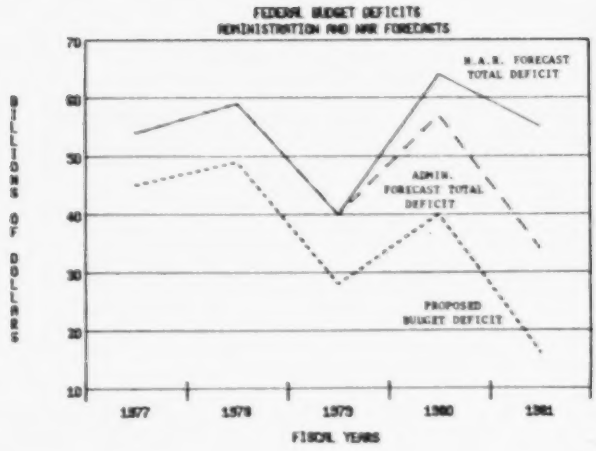
PRESIDENT'S PROPOSED BUDGET AND LIKELY ADJUSTMENTS

	1980	1981
Receipts (President)	524	600
Higher Inflation than Presidential Forecast	+5	+15
Unaccepted Proposals in Presidential Budget	-2	-5
Likely Total Receipts	527	610
Outlays (President)	564	616
Higher Outlays because of Higher Inflation	+5	+8
Unaccepted Outlay Cuts in Presidential Budget	+1	+5
Smaller Asset Sales	+2	+5
Underestimates of Congressional Nondefense Outlays	+2	+7
Higher Defense Outlays	--	+5
Off Budget Outlays	+17	+18
Likely Total Outlays	591	664
Likely Total Deficit (on & off budget)	-64	-55
Likely Budget Deficit	-47	-37
Likely Off Budget Deficit	-17	-18
President's Total Deficit (on & off budget)	-57	-34
President's Budget Deficit	-40	-16
President's Off Budget Deficit	-17	-18

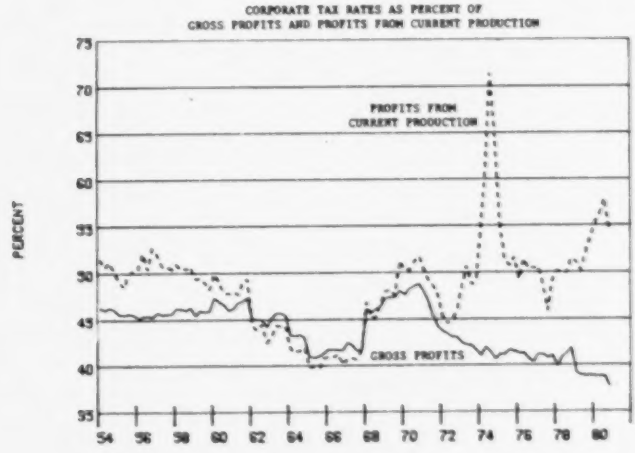
GRAPH 1



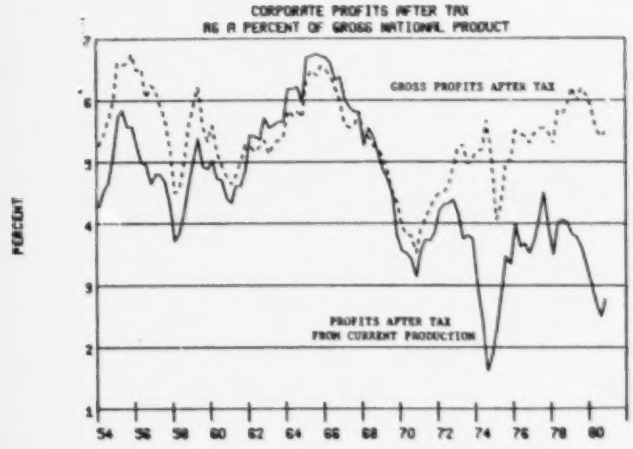
GRAPH 2



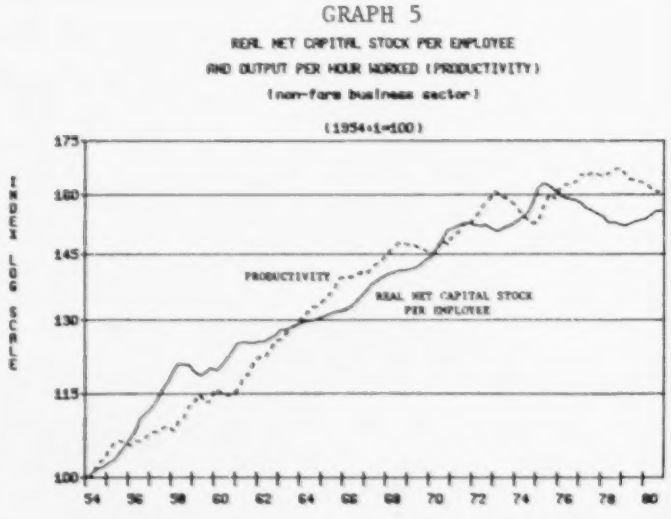
GRAPH 3


CORPORATE TAX RATES AS PERCENT OF
GROSS PROFITS AND PROFITS FROM CURRENT PRODUCTION
PERCENT
PROFITS FROM CURRENT PRODUCTION
GROSS PROFITS

GRAPH 4



GRAPH 5



OUTLOOK FOR THE U.S. ECONOMY AND REAL ESTATE

FEBRUARY 1980

	QUARTERS								YEARS			
	Actual		Forecast						Actual		Forecast	
	79:3	79:4	80:1	80:2	80:3	80:4	81:1	81:2	1978	1979	1980	1981
AGGREGATE ECONOMY												
Gross National Product (billions of dollars)	2,397	2,456	2,515	2,559	2,612	2,698	2,796	2,897	2,118	2,369	2,596	2,958
Percent Change	12.0	10.3	10.0	7.2	8.5	13.8	15.5	15.2	12.0	11.3	9.6	14.0
Percent Change (without inflation)	3.1	1.4	0.0	-3.2	-2.0	2.4	4.7	4.5	4.4	2.3	-0.2	2.9
Consumption	4.9	4.1	-0.3	-2.4	-1.3	1.8	2.3	3.8	4.5	2.6	0.6	2.2
Residential Investment	-1.4	-10.2	-24.8	-25.0	-3.4	12.7	24.0	25.1	4.2	-6.1	-13.7	14.1
Nonresidential Investment	10.8	-7.0	4.1	-3.4	-3.1	0.2	2.6	3.8	8.4	5.8	-0.1	1.5
Structures	7.1	4.9	-2.4	-5.2	-8.3	-7.3	-4.6	-0.5	12.2	9.1	-0.3	-4.0
Equipment	12.5	-12.1	7.5	-2.5	-0.5	4.0	6.0	5.8	6.7	4.2	0.0	4.1
Exports	23.2	5.7	2.4	-2.6	-0.8	4.2	5.8	5.5	10.6	10.0	3.7	4.0
Imports	-3.1	4.4	-4.7	-4.5	-3.5	4.3	5.5	6.5	11.1	4.2	-1.1	4.3
Government Purchases	1.0	4.8	4.1	-0.3	-0.7	0.2	2.7	1.9	1.8	0.3	1.7	1.4
Residential Investment (percent of GNP)	3.9	3.8	3.6	3.3	3.3	3.4	3.6	3.7	4.3	3.9	3.4	3.8
Nonresidential Structures Investment (percent of GNP)	3.4	3.4	3.4	3.4	3.3	3.3	3.2	3.1	3.1	3.3	3.3	3.1
Inventory Change (billions of dollars)	14.5	6.4	6.0	2.8	-3.8	-0.5	10.3	13.4	22.3	18.4	1.1	15.9
Mfg. Capacity Utilization Rate (percent)	85	85	84	82	80	80	81	82	84	86	82	83
Manufacturing Industrial Production (percent change)	0.6	-1.0	-0.4	-5.6	-4.8	2.9	8.6	8.6	6.1	4.4	-1.7	4.9
Employment (millions)	97.2	97.7	97.6	97.6	97.7	97.8	98.0	98.7	94.4	97.0	97.7	98.9
Unemployment Rate (percent)	5.8	5.9	6.3	6.7	7.0	7.3	7.5	7.3	6.0	5.8	6.8	7.4
Real Personal Income (% change)	2.0	1.6	-1.6	-0.5	1.5	2.8	3.6	3.8	5.0	2.8	0.4	3.2
Personal Income per Household (average)	25,577	26,228	26,874	27,548	28,356	29,232	30,135	31,082	22,766	25,292	28,002	31,688
Consumer Price Inflation (CPI)	12.9	12.8	12.8	12.0	12.8	11.7	11.0	10.7	7.7	11.2	12.7	11.5
Producers Price Inflation (WPI)	13.7	15.7	18.1	14.0	14.0	14.1	13.2	12.9	7.8	12.5	13.0	11.5
Gross National Product Inflation (GNP Deflator)	8.5	8.7	9.9	10.7	10.8	11.2	10.3	10.3	7.3	8.9	9.1	10.7
Residential Construction Inflation	13.7	9.0	10.9	11.4	13.4	14.6	13.6	13.8	13.1	12.5	11.7	13.9
Nonresidential Construction Inflation	13.5	11.1	10.9	11.8	13.2	13.7	12.9	13.3	8.8	10.6	11.8	13.4
Compensation per Manhour (percent change)	8.4	8.8	12.5	11.8	11.9	12.3	10.7	12.4	8.5	8.9	10.8	12.2
Productivity (percent change)	-0.7	-1.0	-1.1	-3.1	-2.3	0.6	1.6	1.3	0.5	-1.1	-1.6	0.6
Unit Labor Cost (percent change)	9.4	9.8	13.7	15.4	14.6	11.7	9.0	11.0	8.0	10.2	12.6	11.5
Before Tax Corporate Profits (billions of dollars)	242	244	242	233	230	237	254	262	206	237	236	268
Corporate Tax Liability	94	95	94	90	89	90	96	99	85	92	91	101
After Tax Profits	148	149	148	142	141	148	158	163	122	145	145	167
Inventory Valuation Adjustment	-44	-47	-52	-51	-52	-52	-52	-54	-25	-42	-52	-57
Capital Consumption Adjustment	-18	-20	-20	-22	-24	-21	-23	-25	-13	-17	-22	-27
Profits from Current Production	87	82	76	70	65	75	83	83	83	86	72	83
Adjusted for Inflation (79:3 base)	87	81	73	65	59	66	71	70	91	87	66	69
Percent Change - Year Ago	-9.4	-15.7	-20.4	-27.4	-31.6	-17.9	-1.9	7.9	0.2	-4.6	-24.4	5.2
Per Unit of Output (percent of GNP)	3.6	3.4	3.0	2.7	2.5	2.8	3.0	2.9	3.9	3.6	2.8	2.8
Effective Corporate Tax Rate (percent)	52	54	55	56	58	54	54	54	50	52	56	55
Federal Tax Receipts (NIA basis)	505	523	532	540	552	559	587	613	432	497	546	628
Federal Expenditures (NIA basis)	516	536	556	570	595	615	630	646	460	508	584	660
Surplus or Deficit (NIA basis) <1>	-11	-13	-24	-30	-42	-56	-43	-33	-28	-11	-38	-33
HOUSING MARKETS												
Existing Single-Family Home Sales (thousands)	3,877	3,657	3,493	3,475	3,521	3,552	3,689	3,896	3,905	3,747	3,510	3,915
Percent Change - Year Ago	-2.0	-11.2	-4.6	-6.8	-9.2	-2.9	5.6	12.1	9.3	-4.0	-6.3	11.5
Dollar Volume (billions)	257.3	237.7	230.4	249.7	267.2	257.8	276.8	313.9	216.7	238.9	251.3	314.9
New Single-Family Home Sales (thousands)	749	635	624	614	632	700	711	729	817	710	643	758
Percent Change - Year Ago	-6.5	-24.0	-16.9	-13.1	-15.6	10.3	13.9	18.9	-0.5	-13.0	-9.5	18.0
Private Housing Starts (thousands)	1,834	1,604	1,428	1,330	1,466	1,577	1,707	1,819	2,020	1,742	1,450	1,860
Single-Family	1,238	1,072	952	916	990	1,056	1,135	1,216	1,433	1,193	978	1,246
Multi-Family	596	533	476	414	477	521	572	603	587	549	472	614
Subsidized	225	215	225	240	255	255	270	275	145	219	246	270
Mobile Home Shipments (thousands)	276	270	246	226	231	232	240	251	278	276	234	252
Housing Inventory (millions)	82.9	83.3	83.5	83.7	83.9	84.2	84.4	84.7	81.4	82.8	83.8	84.8
Rental Vacancy Rate (percent)	5.2	5.2	4.8	5.1	5.2	5.2	5.2	5.2	5.0	5.1	5.1	5.2
Unsold New Homes (percent of sales)	56.7	65.4	66.2	69.9	70.6	71.2	69.7	67.0	50.1	58.9	69.5	67.3
Existing Home Prices - Median (thousands of dollars)	57.6	56.1	58.1	62.4	64.4	62.0	64.6	69.7	48.7	55.6	61.7	69.6
Percent Change - Year Ago	15.3	10.9	10.5	11.8	11.7	10.5	11.2	11.7	13.5	14.3	11.1	12.8
New Home Prices - Median (thousands of dollars)	65.5	63.4	65.8	68.5	72.9	73.6	74.1	77.0	55.7	63.0	70.2	79.6
Percent Change - Year Ago	15.3	7.8	8.3	9.7	11.2	16.1	12.7	12.3	13.9	13.0	11.4	13.3
FINANCIAL MARKETS												
Total Time and Savings Deposits (% change)	8.4	11.1	6.3	3.6	3.7	5.9	8.2	8.8	11.7	9.4	6.4	7.2
Savings Rate (percent)	4.3	3.3	3.5	4.0	4.7	5.3	5.6	5.4	4.9	4.5	4.4	5.4
New Mortgage Commitments (billions of dollars)	135.2	117.1	98.4	90.1	102.3	115.3	134.1	145.4	136.0	126.1	101.5	139.5
Percent Change - Year Ago	5.1	-21.0	-17.9	-31.9	-24.3	-1.5	36.3	61.3	1.6	-7.3	-19.5	37.4
Mortgage Debt Outstanding (billions of dollars)	1,295	1,335	1,372	1,391	1,405	1,419	1,439	1,464	1,113	1,272	1,397	1,478
Money Supply (M2) (% change)	12.5	9.2	7.1	4.9	4.6	6.2	7.5	7.4	8.6	8.0	7.4	6.9
New Home Mortgage Commitment Rate (percent)	11.25	12.50	13.11	13.03	12.75	12.48	12.19	12.05	9.69	11.29	12.84	12.07
AAA Corporate Bond Rate (percent)	9.29	10.54	10.98	10.91	10.77	10.72	10.63	10.55	8.72	9.63	10.85	10.66
Prime Rate (percent)	12.12	15.08	15.01	14.29	13.30	12.54	12.01	11.99	9.06	12.67	13.79	12.23
Federal Funds Rate (percent)	10.95	13.58	13.54	12.38	11.46	10.66	10.23	10.66	7.93	11.19	12.01	10.93

<1> Assumptions include a cut in Federal personal income taxes of $10 billion (at an annual rate) beginning in 1980:4; a $10 billion rollback in scheduled social security taxes after 1981:1; and a $5 billion (annual rate) cut in corporate income taxes beginning 1980:4.

Source: Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Hugh Graham, Kenneth Kerin, and Glenn Crellin.

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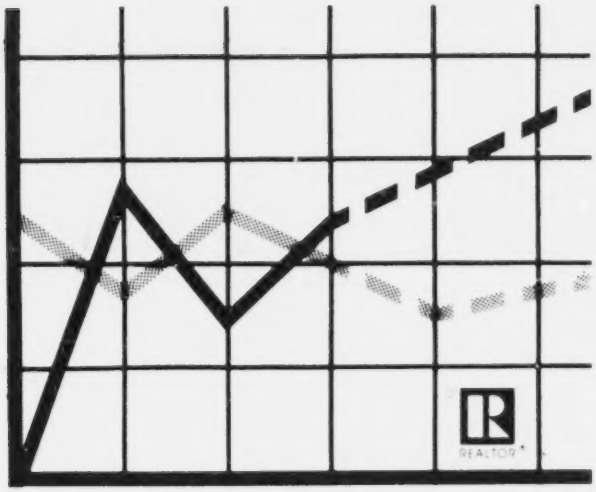
OUTLOOK FOR THE ECONOMY AND REAL ESTATE



BY

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March 1980

U.S. ECONOMIC OUTLOOK

Inflation accelerated in January to a compound annual rate of 18 percent for consumer prices and 21 percent for producers' finished goods. The Federal Reserve Board reacted by raising the discount rate, causing both short and long run rates to increase by a full percentage point or more. Because of higher interest rates, there is a less optimistic outlook for the economy for the remainder of 1980.

The acceleration of inflation has shown the inadequacy of the current mix of fiscal and monetary policies--tight credit with loose Federal spending. The quickening of Federal spending has added to fears that government policy is adding to inflationary pressures and not fighting them. The current futile attempt of the Federal Reserve Board to fight inflation is crippling investment without reducing inflation which is being caused in part by higher Federal spending and deficits.

Consumers continue to squeeze savings to record lows in order to maintain spending levels. Expenditures for non-durable goods and, particularly, services, continue to increase even after adjusting for inflation. Exports are growing faster than imports, also helping buoy the economy.

However, there is reason to expect that the delayed and well-advertised recession may occur during the second and third quarters of this year as investment slows further and the savings rate moves toward normal levels. The unemployment rate is likely to rise to almost 7 1/2 percent and output is likely to decline by 1.4 percent, making the recession mild in comparison with the other six recessions of the post-war period.

The continued moderate growth of employment and the slowing of output has led to a decline in productivity over the last year. In addition, wage increases are forecast to surpass last year's growth rate during both 1980 and 1981. The combination of continued lower productivity growth, higher wage increases and growth in social security taxes will cause labor costs to increase at record rates over the next two years.

Investment is slowing and can be expected to decline by 8 percent during the remainder of 1980 and for most of 1981. Housing starts have already declined by over 30 percent during the last year and will be followed by downturns in investment in commercial and industrial structures and equipment.

The decline in sales and production of housing expected during the coming economic downturn will not be as large as during the disastrous 1974-75 recession (the worst in the post-war period). However, compared to the decline in sales expected in other areas of the economy, the 1980 housing downturn will be even more severe, indicating the disproportionate impact current Federal economic policies are having on the housing sector.

The Joint Economic Committee of the Congress has issued a report nearly unanimous in calling for tax relief to stimulate investment throughout the 1980's. The longer run perspective of the report ignores the additional need to slow Federal spending growth now to reduce inflationary pressures in 1980

and 1981. If spending growth were 2 percentage points slower for the remainder of this year and FY 1981, the Federal government could achieve a balanced budget during 1981. If tax relief were also provided to stimulate savings and investment, starting in 1981, both inflation and the American standard of living would be improved. Consumer prices would fall by more than 3 percent and spendable income per average household would be boosted by over $800 or 3 percent by the mid-1980's. New housing starts would be nearly 400,000 units per year higher and sales of existing homes would be about 1,000,000 units per year higher.

While the modest tax relief to encourage savings, which will be part of the "windfall profits" tax bill, is a step in the right direction, even larger tax incentives for savers, together with added investment incentives are needed to further decrease inflation and boost living standards.

A Presidential candidate has proposed, and other candidates have flirted with, wage, price, rent, and credit controls. The President has adamantly refused to move towards mandatory controls--an appropriate position based on the causes of inflation. Even those who advocate controls do not believe that they could work when the problem is caused by deficit spending and OPEC-created oil price increases. To impose controls would be to increase the likelihood of inflation once controls are lifted, lower output and investment, and decrease employment.

Price controls would be particularly damaging to the rental housing sector. Rents have grown at only three-quarters of the rate of overall consumer prices and operating costs of rental units over the last 10 years. The inadequacy of the growth of rents has been cited by the General Accounting Office as the primary reason for the already observable shortage of apartments and for the potentially greater shortage of rental units during the decade of the 1980's.

Real Estate Outlook

The record 14 percent average mortgage interest rate on most new commitments is adding to stress in the real estate market. Sales of existing single family homes have declined from 4 million in September to 3.2 million in January, a drop of 20 percent. Some improvement is expected by mid-year, with sales expected to average 3.34 million units this year, down 10.5 percent from 1979. Similarly, new housing starts have slowed from 1.8 million last fall to 1.4 million in January. Starts can be expected to dip lower during the next few months before improvement occurs late in the year, averaging 1.35 million units for the year. A further improvement in starts to 1.7 million units is forecast for 1981.

The average monthly payment of principal and interest on the median-priced home has increased by 33 percent in the last 12 months. Fortunately, the modest expected increase in housing prices in 1980 (11 percent compared to a forecast 14 percent in consumer prices) and a slight reduction in the interest rate could mean a smaller increase in typical principal and interest payments over the next 12 months.

Congress will likely extend the Federal preemption of the state usury laws for two more years. If it does not, and states fail to lift their own archaic laws, housing starts would decline by 140,000 units and existing home sales would drop by 250,000 in those 23 states with ceilings below market mortgage rates.

OUTLOOK FOR THE U.S. ECONOMY AND REAL ESTATE

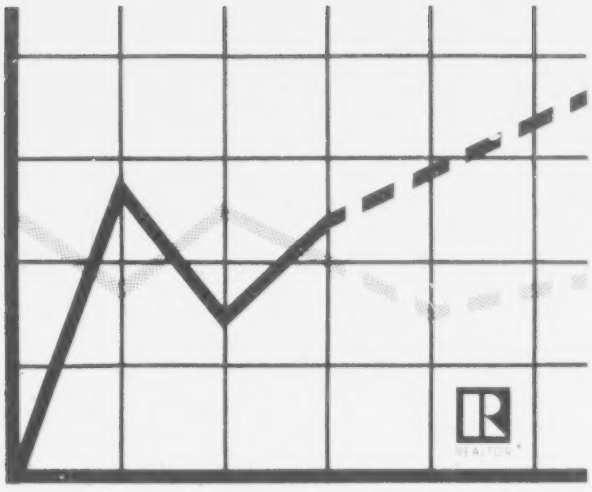
MARCH 1980

	QUARTERS								YEARS			
	Actual	Forecast							Actual		Forecast	
	79:4	80:1	80:2	80:3	80:4	81:1	81:2	81:3	1978	1979	1980	1981
AGGREGATE ECONOMY												
Gross National Product (billions of dollars)	2,459	2,526	2,579	2,628	2,709	2,807	2,907	3,019	2,128	2,369	2,611	2,969
Percent Change	10.9	11.3	8.6	7.9	12.9	15.2	15.2	16.3	12.0	11.4	10.2	13.7
Percent Change (without inflation)	2.1	0.7	-2.6	-3.3	0.9	3.3	3.8	4.8	4.4	2.3	-0.1	2.0
Consumption	4.4	0.1	-1.4	-2.0	1.6	2.7	3.1	4.4	4.5	2.7	0.8	2.0
Residential Investment	-4.2	-27.1	-27.0	-16.2	1.5	19.9	24.1	29.3	4.2	-5.7	-15.8	9.7
Nonresidential Investment	-2.4	-0.1	-3.8	-6.0	-1.7	-0.2	2.4	3.9	8.4	6.1	-0.8	-0.1
Structures	12.8	-5.2	-7.0	-10.5	-10.0	-4.7	-1.4	2.8	12.2	9.7	-0.6	-4.6
Equipment	-8.9	2.6	-2.2	-3.8	2.5	2.0	4.1	4.4	6.7	4.4	-1.0	2.1
Exports	8.1	2.0	0.8	1.0	3.6	2.8	4.6	6.0	10.6	10.1	4.9	3.5
Imports	11.0	-6.3	-2.8	1.6	3.7	6.4	5.9	7.0	11.1	4.6	0.5	4.6
Government Purchases	5.7	4.7	-0.6	-1.4	-0.1	1.9	1.2	1.7	1.8	0.4	1.8	0.7
Residential Investment (percent of GNP)	3.9	3.6	3.3	3.2	3.2	3.3	3.5	3.7	4.3	4.0	3.3	3.6
Nonresidential Structures Investment (percent of GNP)	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	3.1	3.4	3.3	3.1
Inventory Change (billions of dollars)	6.7	8.8	4.1	-0.5	-1.9	3.8	7.8	9.7	22.3	18.4	2.6	9.3
Mfg. Capacity Utilization Rate (percent)	85	83	81	79	79	79	81	82	84	86	81	81
Manufacturing Industrial Production (percent change)	-0.9	-3.8	-5.0	-8.2	0.0	8.1	8.7	9.7	6.1	4.4	-3.1	3.9
Employment (millions)	97.7	97.7	97.7	97.8	97.9	98.1	98.6	99.2	94.6	96.9	97.8	98.9
Unemployment Rate (percent)	5.9	6.2	6.6	6.9	7.2	7.4	7.4	7.4	6.0	5.8	6.7	7.4
Real Disposable Income per Household (% change)	-0.3	-1.4	-1.2	-0.8	4.3	0.3	2.0	3.4	3.8	1.5	-0.7	1.7
Disposable Income per Household (average)	26,262	26,879	27,615	28,376	29,189	30,062	31,047	32,158	22,366	25,300	28,015	31,635
Total Taxes per Household (average)	11,749	11,910	12,114	12,325	12,437	13,044	13,505	14,012	10,114	11,216	12,196	13,776
Percent Change	14.4	5.6	7.0	7.2	3.7	21.0	14.9	15.9	12.3	10.9	8.7	13.0
Consumer Price Inflation (CPI)	13.2	15.0	14.8	13.6	12.7	13.1	12.7	12.6	7.7	11.2	14.0	13.0
Producers Price Inflation (WPI)	16.3	21.7	17.0	16.3	15.3	14.7	14.3	14.4	7.8	12.5	17.4	15.0
Gross National Product Inflation (GNP Deflator)	8.7	10.6	11.7	11.6	12.0	11.5	10.9	11.0	7.3	8.9	10.3	11.5
Residential Construction Inflation	6.1	11.2	10.0	11.0	12.1	14.5	14.9	15.0	13.1	12.3	10.5	13.5
Nonresidential Construction Inflation	10.0	12.2	11.1	11.3	11.4	13.1	13.9	14.3	8.8	10.5	11.3	12.8
Compensation per Manhour (percent change)	8.9	12.3	12.4	13.0	13.3	15.7	12.4	13.1	8.0	8.9	11.1	13.6
Productivity (percent change)	-0.4	-2.0	-3.1	-3.0	0.1	1.1	1.2	1.8	0.5	-1.2	-2.0	0.3
Unit Labor Cost (percent change)	9.3	14.6	16.0	16.5	13.1	14.4	11.1	11.0	8.0	10.3	13.3	13.2
Before Tax Corporate Profits (billions of dollars)	248	242	236	227	228	233	246	262	206	238	233	255
Corporate Tax Liability	99	96	93	90	90	90	95	101	85	93	92	98
After Tax Profits	150	146	142	137	138	143	151	161	122	145	141	156
Inventory Valuation Adjustment	-47	-51	-50	-51	-49	-52	-54	-58	-25	-42	-50	-56
Capital Consumption Adjustment	-20	-20	-22	-23	-25	-23	-26	-29	-13	-17	-23	-27
Profits from Current Production	83	75	70	63	63	68	71	75	83	86	68	73
Adjusted for Inflation (79:4 base)	83	73	67	58	57	59	61	62	93	89	64	61
Percent Change - Year Ago	-15.3	-22.1	-27.2	-34.5	-31.4	-18.3	-9.4	4.5	0.2	-4.5	-28.7	-3.6
Per Unit of Output (percent of GNP)	3.4	2.9	2.7	2.4	2.3	2.4	2.4	2.5	3.9	3.6	2.6	2.5
Effective Corporate Tax Rate (percent)	54	56	57	58	59	57	57	58	50	52	58	57
Federal Tax Receipts (NIA basis)	527	537	547	558	559	596	622	649	482	498	550	636
Federal Expenditures (NIA basis)	539	556	576	602	624	638	652	676	480	509	590	666
Surplus or Deficit (NIA basis) <1>	-13	-19	-29	-44	-65	-42	-30	-27	-28	-11	-39	-29
REAL ESTATE MARKETS												
Existing Single-Family Home Sales (thousands)	3,657	3,132	3,307	3,435	3,518	3,704	3,952	4,094	3,905	3,747	3,348	3,982
Percent Change - Year Ago	-11.2	-14.4	-11.3	-11.4	-3.8	18.3	19.5	19.2	9.3	-4.0	-10.2	19.0
Dollar Volume (billions)	237.7	209.4	238.3	255.6	263.2	282.9	321.2	346.0	216.7	235.4	241.1	325.9
New Single-Family Home Sales (thousands)	614	560	546	617	701	743	760	788	817	712	606	773
Percent Change - Year Ago	-26.5	-25.4	-22.6	-17.4	14.2	32.5	39.2	27.7	-0.5	-13.7	-14.0	27.5
Private Housing Starts (thousands)	1,583	1,436	1,293	1,308	1,397	1,543	1,639	1,793	2,020	1,743	1,358	1,710
Single-Family	1,052	999	932	942	996	1,087	1,196	1,321	1,433	1,193	967	1,248
Multi-Family	531	437	361	365	402	455	443	472	587	550	391	462
Subsidized	215	225	240	255	265	270	275	270	145	219	246	270
Mobile Home Shipments (thousands)	262	239	207	192	194	202	199	207	278	274	208	204
Housing Inventory (millions)	83.3	83.5	83.7	83.9	84.1	84.3	84.5	84.8	81.4	82.8	83.8	84.7
Rental Vacancy Rate (percent)	5.0	4.6	4.8	5.1	5.2	5.2	5.2	5.2	5.0	5.0	4.9	5.2
Unsold New Homes (percent of sales)	67.6	69.4	75.2	79.4	79.3	77.1	72.2	69.8	50.1	59.5	75.9	72.0
Office Vacancy Rate (percent)<2>	3.6	3.3	3.4	3.6	3.8	4.0	4.2	4.3	6.5	4.4	3.5	4.2
Industrial Vacancy Rate (percent)<2>	3.5	3.8	4.2	4.6	4.5	4.0	3.7	3.5	2.8	3.0	4.3	3.6
Existing Home Prices - Median (thousands of dollars)	56.1	57.6	61.5	63.9	64.2	65.5	69.7	72.5	48.7	55.7	61.8	70.0
Percent Change - Year Ago	11.0	9.5	10.1	10.9	14.3	13.7	13.4	13.4	13.5	14.4	11.3	13.3
New Home Prices - Median (thousands of dollars)	62.4	66.2	68.5	72.0	72.4	74.6	77.5	80.4	55.7	62.9	69.8	78.5
Percent Change - Year Ago	6.2	9.0	9.6	9.9	16.0	12.7	13.1	11.7	14.1	12.9	11.1	12.9
FINANCIAL MARKETS												
Total Time and Savings Deposits (% change)	11.1	4.9	3.0	2.1	3.7	5.9	7.2	8.2	11.7	9.4	5.6	5.6
Savings Rate (percent)	3.4	3.3	3.5	4.1	4.9	4.6	4.6	4.6	4.9	4.5	4.0	4.6
New Mortgage Commitments (billions of dollars)	117.1	96.9	85.2	95.6	107.8	123.3	133.8	145.2	136.0	126.1	96.4	139.8
Percent Change - Year Ago	-21.0	-19.2	-35.6	-29.3	-7.9	27.2	57.0	51.9	1.6	-7.3	-23.6	45.1
Mortgage Debt Outstanding (billions of dollars)	1,335	1,349	1,355	1,360	1,367	1,379	1,394	1,414	1,113	1,272	1,358	1,405
Money Supply (M2) (% change)	9.2	5.6	5.0	3.4	5.1	6.9	7.1	7.9	8.6	8.0	6.9	6.3
New Home Mortgage Commitment Rate (percent)	12.27	13.61	14.23	13.85	13.58	13.29	13.10	12.98	9.69	11.23	13.82	13.03
AAA Corporate Bond Rate (percent)	10.54	11.37	11.85	11.86	11.86	11.78	11.75	11.88	8.72	9.63	11.74	11.86
Prime Rate (percent)	15.08	16.14	16.56	15.81	14.76	13.90	12.84	12.86	9.06	12.67	15.82	13.16
Federal Funds Rate (percent)	13.58	16.01	15.67	15.24	14.35	13.62	13.13	13.57	7.93	11.19	15.32	13.52

<1> Assumptions include a cut in Federal personal income taxes of $10 billion (at an annual rate) beginning in 1980:4 and a $5 billion (annual rate) cut in corporate income taxes beginning 1981:1.
<2> Historical data courtesy of Coldwell Banker.

Source: Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Hugh Graham, Kenneth Kerin, and Glenn Crellin.

OUTLOOK FOR THE ECONOMY AND REAL ESTATE



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U.S. ECONOMIC OUTLOOK

The outlook for the housing industry deteriorated this month as the President and Congress responded to accelerating inflation and record mortgage interest rates with anemic and cosmetic "cuts" in federal spending, tighter credit policies and much higher taxes. The failure of the federal government to undertake a real fight against inflation and high interest rates through slower growth of federal spending and taxes, is increasingly placing a disproportionate burden on the housing industry, which is faced with the threat of the worst downturn in post-war history.

Consumer price inflation continued at an 18 percent annual rate in February and there are few prospects for relief in sight. The recent increases in mortgage interest rates have yet to be fully reflected in the consumer price index, while the President's newly imposed import fee for crude oil and gasoline will add at least 1 percentage point to inflation this year alone. Despite the forecast mild recession this year, wage increases are also likely to accelerate as workers attempt to recoup some of the erosion in real earnings experienced over the last 12 months. As a result, consumer prices are likely to increase by more than 15 percent during this year, compared to 13.2 percent during 1979. The outlook for 1981 is not much more optimistic, with consumer prices forecast to increase over 12 percent next year.

With little likelihood of any significant moderation in inflation in the near future, only a major change in federal deficit spending and tax policies can bring down interest rates and alleviate the current stress in the housing industry.

Unfortunately, the President and Congress have sent a clear message to the country that they are not serious about fighting inflation. The President now proposes increasing federal spending by 15.3 percent in 1980 -- hardly the "lean and austere" 7.7 percent budget increases he originally proposed. Even when the President decides to join the inflation fight modestly next October, he does so by boosting taxes up $28 billion from the President's January budget rather than significantly slowing spending growth. The widely advertised "cuts" in federal spending in 1981 announced in March are inadequate for a real fight against inflation. In fact, because of unadvertised upward revisions in estimates of federal expenditures in other areas, the President proposes almost identical spending in 1980 and 1981 as before the recently changed policies. Rather than slowing spending, he now proposes to "balance the budget" in 1981 by increasing taxes per household by $900 this year and $1,200 in 1981.

For a real fight on inflation, federal spending growth needs to be slowed by 2 percent ($6 billion) during the remainder of this year and another 2 percent (or $15 billion) in 1981. This would enable tax relief to encourage savings and investment to be initiated in 1981 and allow considerable easing of currently tight credit policies.

Without a slowing in spending, tight monetary policies will be ineffective in reducing inflation and, in fact, will add to long run inflation by reducing productivity-increasing investment and causing shortages in the housing supply.

The 1980 Recession

The increased credit restrictions and the leap in interest rates accompanying the President's March announcement will likely mean the onset of an average recession during the next 6 months. Inflation adjusted national output is expected to fall by 2 percent before a recovery begins late this year. Continued erosion of consumer purchasing power and high interest rates will likely keep new growth next year modest -- real national output is expected to increase only 1.4 percent in 1981.

Consumer expenditure, which has provided some strength to the economy in recent months, is expected to drop due to credit restrictions, further declines in real earnings and a small increase in the savings rate.

Investment in commercial and industrial structures is forecast to fall from the second quarter of this year until mid-1981, declining nearly 7 percent over the period due to tight credit conditions and the expected slowing of the economy. Investment in equipment will likely decline by a modest 3 percent during mid-1980 before showing renewed strength late this year as defense contractors increase equipment orders.

Housing Outlook

With mortgage interest rates currently about 15 percent, housing activity is declining rapidly. Housing starts fell to 1.3 million units in February, down 35 percent during the last 15 months. As mortgage money becomes increasingly scarce and high-priced, starts are expected to fall further to around 1.0 million during the spring before showing a modest improvement towards the end of the year. Overall, starts in 1980 are expected to average just under 1.2 million units, increasing to nearly 1.6 million next year.

Preliminary figures on existing home sales indicate that resale activity in March had fallen to around a 2.6 million unit annual rate, down 33 percent from September of last year. This is the worst decline in sales activity recorded over the 13 year history of these statistics and the outlook is for further erosion of sales activity in the months ahead. Sales will likely average an annual rate of only 3 million units during the middle of this year, improving to 3.7 million units in 1981.

The typical monthly payment for principal and interest on the median-priced home has now increased by $230, or 50 percent, over the last 12 months -- and 17 percent in just the last 2 months alone. Home prices during the next 12 months will probably increase by just over 10 percent -- less than the nearly 15 percent inflation rate, before accelerating to about the overall inflation rate in 1981.

OUTLOOK FOR THE U.S. ECONOMY AND REAL ESTATE

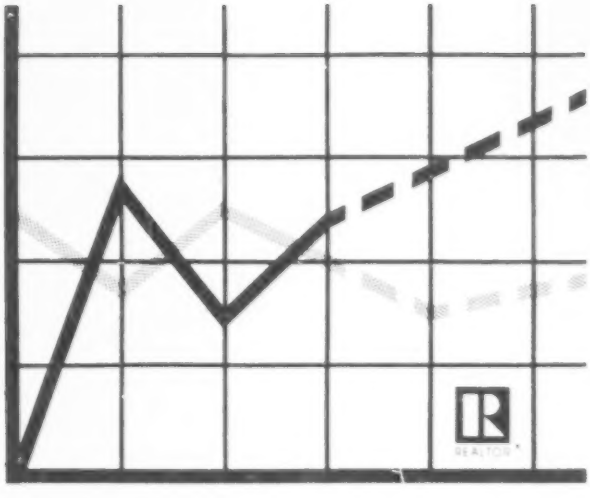
APRIL 1980

	QUARTERS								YEARS			
	Actual	Forecast							Actual		Forecast	
	79:4	80:1	80:2	80:3	80:4	81:1	81:2	81:3	1978	1979	1980	1981
AGGREGATE ECONOMY												
Gross National Product (billions of dollars)	2,457	2,524	2,576	2,621	2,703	2,787	2,880	2,992	2,128	2,369	2,606	2,944
Percent Change	10.5	11.4	8.6	7.1	13.1	12.9	14.1	16.5	12.0	11.3	10.0	13.0
Percent Change (without inflation)	2.0	1.1	-1.9	-4.7	0.6	1.8	3.4	5.7	4.4	2.3	-0.6	1.4
Consumption	4.1	0.3	-2.8	-2.1	1.6	-0.4	1.5	4.2	4.5	2.6	0.5	0.8
Residential Investment	-4.9	-29.2	-47.4	-34.8	-8.2	29.1	41.3	43.6	4.2	-5.7	-23.6	10.0
Nonresidential Investment	-0.5	5.8	-6.3	-5.2	0.7	0.8	5.0	4.6	8.4	6.2	0.7	1.2
Structures	11.9	6.1	-5.2	-6.8	-6.5	-5.3	-0.5	1.3	12.2	9.6	3.3	-3.4
Equipment	-5.9	5.6	-6.8	-4.4	4.4	4.0	7.7	6.3	6.7	4.7	-0.5	3.5
Exports	7.1	1.4	0.8	0.1	2.1	4.4	5.4	6.8	10.6	10.1	4.4	3.8
Imports	8.1	-2.3	-5.4	-3.4	-1.0	2.8	4.5	4.8	11.1	4.4	-0.4	1.6
Government Purchases	6.0	6.5	-2.8	-1.5	-0.4	1.7	0.8	1.9	1.8	0.4	1.8	0.1
Residential Investment (percent of GNP)	3.9	3.5	3.0	2.8	2.8	2.9	3.2	3.4	4.3	4.0	3.0	3.3
Nonresidential Structures Investment (percent of GNP)	3.5	3.5	3.5	3.5	3.4	3.4	3.3	3.3	3.1	3.4	3.5	3.3
Inventory Change (billions of dollars)	5.6	5.8	10.1	-1.4	-7.1	-0.8	3.1	7.5	22.3	18.1	1.8	6.6
Mfg. Capacity Utilization Rate (percent)	85	84	81	78	77	78	79	80	84	86	80	80
Manufacturing Industrial Production (percent change)	-1.0	0.0	-8.3	-11.1	-2.0	4.6	8.8	11.7	6.1	4.4	-3.3	2.5
Employment (millions)	97.7	97.9	97.7	97.7	97.7	98.0	98.4	98.9	94.4	96.9	97.8	98.7
Unemployment Rate (percent)	5.9	6.1	6.6	7.0	7.3	7.5	7.6	7.5	6.0	5.8	6.7	7.5
Real Disposable Income per Household (% change)	0.1	-1.2	-4.8	-1.8	-1.2	-0.4	1.7	3.0	3.8	1.5	-1.7	0.0
Disposable Income per Household (average)	26,287	26,905	27,559	28,300	29,071	29,896	30,833	31,865	22,766	25,306	27,959	31,378
Total Taxes per Household (average)	11,730	11,930	12,243	12,366	12,716	13,154	13,572	14,064	10,114	11,211	12,314	13,844
Percent Change	13.7	7.0	10.9	4.1	11.8	14.5	13.3	15.3	12.1	10.8	9.8	12.4
Consumer Price Inflation (CPI)	13.6	18.7	17.6	14.2	12.1	12.1	12.6	12.7	7.7	11.3	15.5	12.8
Producers Price Inflation (WPI)	16.6	22.3	19.6	16.2	15.6	14.7	14.1	14.1	7.8	12.5	18.1	15.1
Gross National Product Inflation (GNP Deflator)	8.1	10.1	13.0	12.4	12.5	10.9	10.3	10.3	7.3	8.9	10.5	11.3
Residential Construction Inflation	7.0	9.2	10.6	10.9	12.5	13.4	14.7	14.4	13.1	12.4	10.3	13.2
Nonresidential Construction Inflation	10.0	10.1	11.4	10.8	11.4	12.1	13.2	13.0	8.8	10.5	10.8	12.2
Compensation per Manhour (percent change)	9.1	11.2	11.2	11.5	12.6	10.8	11.3	11.3	8.5	9.0	10.4	11.4
Productivity (percent change)	0.3	-1.9	-4.3	-4.2	-0.2	0.0	0.8	2.3	0.5	-1.1	-2.2	-0.3
Unit Labor Cost (percent change)	8.5	13.5	16.2	16.4	12.8	10.8	10.5	8.7	8.0	10.2	12.9	11.7
Before Tax Corporate Profits (billions of dollars)	246	252	242	228	228	228	237	255	206	237	238	247
Corporate Tax Liability	97	100	96	90	90	88	91	98	85	93	94	95
After Tax Profits	149	152	147	138	138	141	146	157	122	145	144	152
Inventory Valuation Adjustment	-47	-49	-58	-53	-49	-50	-51	-55	-25	-42	-55	-53
Capital Consumption Adjustment	-20	-20	-22	-23	-25	-23	-25	-28	-13	-17	-22	-26
Profits from Current Production	82	73	67	62	63	68	70	75	83	86	66	72
Adjusted for Inflation (79:4 base)	82	72	63	57	57	59	60	62	93	89	62	61
Percent Change - Year Ago	-15.9	-23.2	-31.1	-35.4	-31.1	-17.0	-5.7	8.3	0.2	-4.6	-30.1	-2.6
Per Unit of Output (percent of GNP)	3.3	2.9	2.6	2.4	2.3	2.5	2.4	2.5	3.9	3.6	2.6	2.5
Effective Corporate Tax Rate (percent)	54	58	59	59	59	56	57	57	50	52	59	57
Federal Tax Receipts (NIA basis)	526	538	558	565	586	612	635	662	432	498	562	650
Federal Expenditures (NIA basis)	540	556	579	598	620	629	642	664	460	509	588	655
Surplus or Deficit (NIA basis) <1>	-15	-18	-22	-33	-35	-17	-7	-2	-28	-11	-27	-5
REAL ESTATE MARKETS												
Existing Single-Family Home Sales (thousands)	3,557	2,971	2,895	3,091	3,273	3,421	3,574	3,728	3,863	3,701	3,057	3,692
Percent Change - Year Ago	-11.0	-19.9	-22.4	-18.9	-8.0	15.2	23.5	20.6	8.8	-4.2	-17.4	20.8
Dollar Volume (billions)	231.2	197.3	202.9	224.2	239.0	256.8	284.2	311.0	214.4	237.6	215.8	296.4
New Single-Family Home Sales (thousands)	613	564	562	599	633	663	672	690	817	712	590	677
Percent Change - Year Ago	-26.9	-24.3	-21.3	-19.1	3.3	17.5	19.5	15.2	-0.4	-12.9	-16.1	14.8
Private Housing Starts (thousands)	1,593	1,345	1,091	1,005	1,185	1,342	1,486	1,658	2,020	1,744	1,156	1,563
Single-Family	1,058	834	718	702	858	939	1,058	1,161	1,433	1,193	778	1,098
Multi-Family	535	512	373	303	327	403	428	497	587	551	379	465
Subsidized	59	149	151	151	174	136	156	155	135	120	156	156
Mobile Home Shipments (thousands)	262	260	207	172	173	190	191	209	278	273	203	202
Housing Inventory (millions)	83.3	83.5	83.7	83.9	83.9	84.1	84.3	84.5	81.4	82.8	83.8	84.4
Rental Vacancy Rate (percent)	5.0	4.9	4.8	4.8	4.9	5.1	5.2	5.2	5.0	5.0	4.8	5.1
Unsold New Homes (percent of sales)	67.6	69.4	76.5	78.2	78.2	75.8	70.9	66.5	50.0	59.6	75.6	69.3
Office Vacancy Rate (percent)<2>	3.6	3.3	3.4	3.6	3.8	4.0	4.1	4.2	6.4	4.4	3.5	4.1
Industrial Vacancy Rate (percent)<2>	3.5	3.8	4.2	4.5	4.5	4.0	3.7	3.5	2.8	3.0	4.3	3.6
Existing Home Prices - Median (thousands of dollars)	56.1	58.1	61.0	63.3	63.6	65.7	68.0	70.3	48.7	55.5	61.5	69.2
Percent Change - Year Ago	11.0	10.5	9.4	9.9	13.2	13.1	11.3	11.0	13.9	14.1	10.8	12.4
New Home Prices - Median (thousands of dollars)	62.2	64.8	67.9	71.1	71.3	71.9	75.7	79.6	55.8	62.7	68.8	77.3
Percent Change - Year Ago	5.8	6.8	8.7	8.6	14.6	10.8	11.4	11.9	13.9	12.4	9.7	12.3
FINANCIAL MARKETS												
Total Time and Savings Deposits (% change)	11.1	8.3	5.7	4.1	3.6	5.1	5.8	6.9	11.7	9.4	7.2	5.3
Savings Rate (percent)	3.5	3.4	3.2	3.5	3.1	3.4	3.7	3.6	4.9	4.6	3.2	3.6
New Mortgage Commitments (billions of dollars)	104.7	103.0	83.5	69.0	73.4	94.6	109.4	122.2	136.0	123.0	77.2	112.7
Percent Change - Year Ago	-29.4	-14.0	-52.0	-48.0	-29.9	-8.2	72.3	77.2	1.6	-9.6	-37.2	46.0
Mortgage Debt Outstanding (billions of dollars)	1,304	1,335	1,360	1,380	1,403	1,432	1,463	1,497	1,113	1,264	1,369	1,481
Money Supply (M2) (% change)	9.2	0.9	4.5	3.9	5.7	6.0	6.1	6.0	8.6	8.0	5.7	5.6
New Home Mortgage Commitment Rate (percent)	12.27	13.60	15.00	14.50	14.20	13.90	13.70	13.50	9.69	11.23	14.32	13.60
AAA Corporate Bond Rate (percent)	10.54	12.33	13.16	12.73	12.34	11.65	11.48	11.50	8.72	9.63	12.64	11.56
Prime Rate (percent)	15.08	16.53	19.10	17.14	14.60	13.39	13.12	12.79	9.06	12.67	16.84	13.07
Federal Funds Rate (percent)	13.58	15.09	16.52	14.47	12.49	12.58	12.01	11.65	7.93	11.19	14.64	12.08

<1> Assumptions income a $10 billion rollback in scheduled Social Security taxes after 1981:1 and a $5 billion (annual rate) cut in corporate income taxes beginning 1981:1.
<2> Historical data courtesy of Coldwell Banker.

Source: Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Hugh Graham, Kenneth Kerin, and Glenn Crellin.

OUTLOOK FOR THE ECONOMY AND REAL ESTATE



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May 1980

U.S. ECONOMY OUTLOOK

Real Estate Outlook

Despite the current depressed state of the housing industry there is some reason for expecting a modest improvement in new home sales and construction activity at the end of year.

Resales of existing single-family homes should begin to pick up during the summer setting the stage for a higher level of resale transactions of 3.7 million units in 1981.

New housing starts declined to 1.04 million units in March, down 49.3 percent from 15 months ago. Housing construction should begin to recover in late 1980 averaging 1.1 million units for the year. New starts are expected to improve further to 1.6 million units in 1981, still well below the underlying demand for over 2 million new units each year. The current shortfall in new housing construction will add to the rental housing shortage over the next five years and cause single-family home prices to increase faster than the rate of inflation during 1981.

The affordability crisis caused by higher interest rates should also ease somewhat. Mortgage interest rates have peaked and will soon trend slowly downward to about 14 percent by the end of this year. Potential homebuyers are well advised to consider a new home purchase during the next six months to take advantage of easing mortgage interest rates and to avoid even higher home prices during the next two years.

Overall Economy

The economy is entering the long predicted recession with retail sales, industrial production, and investment spending all declining. The slide in economic activity will continue until late summer. However, this is likely to be an average recession--the projected two percent decline in GNP will be only one third as severe as the six percent drop during the 1974-75 recession and is in line with the 2.5 percent average decline for the five recessions since World War II.

The 1980 recession will cause only a slight easing of inflationary pressures and a modest decline in short-term and long-term interest rates from their current record highs. Nevertheless, the current inappropriate mix of federal economic policies--tight credit with excessive growth in federal spending and taxes--will likely keep mortgage rates above 13 percent over the next 15 months.

Transitory Solution to Inflation

The President and Congress have indicated they are not yet willing to join the fight against inflation in proposing increases in spending for the remainder of this year. The Adminstration's formula for achieving a balanced budget in 1981 calls for increasing taxes to record levels rather than curbing spending. This demonstrates once again that the private sector will bear the entire sacrifice in the fight against inflation and that the fight will be too anemic to bring inflation below double-digit levels for many years.

Slower growth in federal spending--with expenditures in 1981 2 percent (or $17 billion) less than proposed by House budget committee--and the introduction of tax relief to encourage savings and investments in housing and productivity increasing new plant and equipment is necessary for an effective fight against inflation.

OUTLOOK FOR THE U.S. ECONOMY AND REAL ESTATE

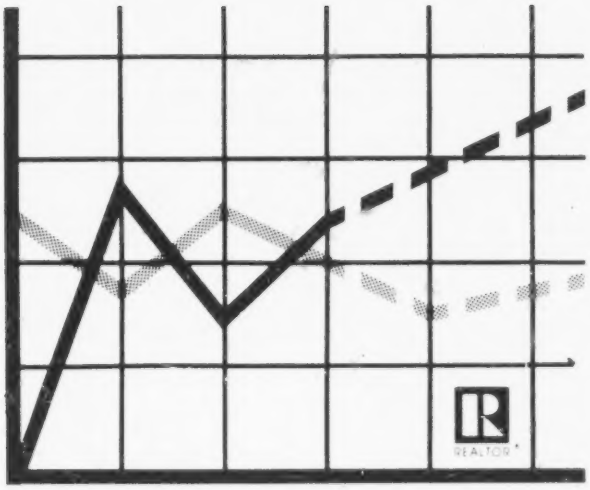
MAY 1980

	QUARTERS								YEARS			
	Actual		Forecast						Actual		Forecast	
	79:4	80:1	80:2	80:3	80:4	81:1	81:2	81:3	1978	1979	1980	1981
AGGREGATE ECONOMY												
Gross National Product (billions of dollars)	2,457	2,520	2,561	2,609	2,681	2,755	2,853	2,965	2,128	2,369	2,593	2,916
Percent Change	10.5	10.7	6.7	7.7	11.5	11.5	15.0	16.7	12.0	11.3	9.5	12.5
Percent Change (without inflation)	2.0	1.1	-4.1	-3.6	0.0	1.2	4.2	5.9	4.4	2.3	-0.4	1.5
Consumption	4.1	1.6	-3.6	-1.3	1.1	1.1	1.9	4.8	4.3	2.6	0.3	1.4
Residential Investment	-4.9	-19.8	-49.9	-27.6	1.1	12.6	29.2	33.2	4.2	-5.7	-20.9	5.2
Nonresidential Investment	-0.5	1.3	-3.1	-3.1	-1.1	-3.5	-0.1	1.4	8.4	8.2	0.4	-1.1
Structures	12.2	2.8	-2.8	-4.5	-4.2	-11.0	-9.1	-2.1	12.2	9.6	3.5	-5.4
Equipment	-6.0	0.3	-3.4	-2.4	0.9	0.4	2.3	3.2	6.7	6.7	-1.1	0.7
Exports	7.1	13.5	1.0	-1.6	-2.1	-0.7	5.2	8.1	10.6	10.1	6.9	1.3
Imports	8.1	11.7	-9.2	-3.7	1.7	3.8	7.6	3.8	11.1	4.4	2.8	1.6
Government Purchases	6.0	5.4	-2.2	-1.6	0.8	1.9	2.9	2.8	1.8	0.4	1.8	1.4
Residential Investment (percent of GNP)	3.9	3.7	3.1	2.9	2.8	3.0	3.1	3.3	4.3	4.0	3.1	3.1
Nonresidential Structures Investment (percent of GNP)	3.3	3.3	3.3	3.3	3.3	3.1	3.1	3.2	3.1	3.4	3.5	3.3
Inventory Change (billions of dollars)	5.6	4.5	4.1	-1.0	-1.4	-1.9	4.3	11.2	22.3	18.1	-0.5	7.5
Mfg. Capacity Utilization Rate (percent)	85	84	81	79	78	78	79	81	84	84	81	80
Manufacturing Industrial Production (percent change)	-0.9	-1.0	-2.6	-2.8	-1.1	1.5	7.4	11.2	6.1	4.4	-2.9	2.3
Employment (millions)	97.1	97.8	97.0	97.2	97.7	97.9	98.2	98.7	94.4	96.9	97.4	98.5
Unemployment Rate (percent)	6.4	6.2	6.6	7.0	7.3	7.2	7.0	7.0	6.0	5.8	6.9	7.2
Real Disposable Income per Household (% change)	1.1	-0.2	-1.1	-1.9	-0.9	-0.5	1.7	7.1	1.8	1.1	-1.1	3.6
Disposable Income per Household (average)	20,267	20,409	20,308	20,340	20,468	20,618	20,983	21,620	17,789	19,356	20,431	21,151
Total Taxes per Household (average)	11,711	11,998	12,261	12,457	12,574	12,128	12,578	13,814	10,164	11,207	12,337	13,201
Percent Change	13.0	10.1	9.0	8.3	8.0	13.9	14.6	9.7	12.3	10.2	10.1	7.0
Consumer Price Inflation (CPI)	12.9	14.2	19.3	16.3	13.9	12.2	12.1	12.4	7.7	11.4	13.4	13.2
Producers Price Inflation (PPI)	16.7	17.5	17.9	15.2	12.1	11.7	14.1	14.0	7.8	12.8	14.3	13.0
Gross National Product Inflation (GNP Deflator)	8.1	9.1	11.3	11.5	11.1	10.1	12.4	10.2	7.4	9.4	9.9	10.7
Residential Construction Inflation	8.4	10.1	9.8	10.7	10.8	10.6	10.4	14.1	13.1	12.3	10.1	14.1
Nonresidential Construction Inflation	13.0	14.0	10.1	10.0	10.1	10.3	11.2	12.9	8.9	10.3	9.9	10.6
Compensation per Manhour (percent change)	9.1	10.4	11.2	11.4	11.1	11.2	11.6	11.3	9.2	9.0	10.1	11.3
Productivity (percent change)	0.3	-0.3	-4.7	-4.3	-0.8	0.6	1.8	1.9	1.7	-1.1	-0.9	-0.6
Unit Labor Cost (percent change)	8.7	10.7	16.6	15.9	12.1	10.6	9.8	9.3	7.5	10.2	11.1	11.9
Before Tax Corporate Profits (billions of dollars)	241	246	249	237	235	233	242	258	206	218	245	253
Corporate Tax Liability	98	101	98	94	93	90	94	100	83	88	97	99
After Tax Profits	143	145	149	143	142	143	148	158	122	130	147	155
Inventory Valuation Adjustment	-47	-46	-65	-64	-61	-60	-59	-60	-27	-42	-64	-61
Capital Consumption Adjustment	-25	-25	-25	-26	-25	-27	-29	-31	-19	-17	-24	-30
Profits from Current Production	69	71	89	83	86	90	88	91	64	86	88	92
Adjusted for Inflation (1972 base)	33	33	39	36	37	38	37	38	27	36	38	38
Percent Change - Year Ago	-17.3	-25.6	+37.2	+42.9	+16.3	+20.7	-11.7	9.2	9.2	-5.1	+39.4	-1.2
Per Unit of Output (percent of GNP)	3.3	3.4	3.6	3.4	3.4	3.4	3.4	3.4	3.4	3.6	3.6	3.6
Effective Corporate Tax Rate (percent)	41	41	42	40	40	40	40	40	40	41	42	42
Federal Tax Receipts (NIA basis)	320	341	334	344	349	339	338	344	272	309	344	382
Federal Expenditures (NIA basis)	342	365	370	401	414	408	405	419	307	358	392	448
Surplus or Deficit (NIA basis) (1)	-19	-23	-36	-57	-65	-69	-67	-76	-35	-49	-48	-67
REAL ESTATE MARKETS												
Existing Single-Family Home Sales (thousands)	1,777	1,801	1,651	1,638	1,681	1,775	1,853	1,832	1,961	1,981	1,805	1,711
Percent Change - Year Ago	-11.0	-8.1	-11.1	-7.1	-5.1	-1.9	12.2	11.9	8.4	+1.0	-11.1	-5.4
Dollar Volume (billions)	231.2	246.5	189.1	191.8	199.4	220.1	248.7	255.8	216.0	257.6	230.2	244.0
New Single-Family Home Sales (thousands)	618	545	448	479	544	575	650	679	817	912	660	681
Percent Change - Year Ago	-25.4	-26.6	-39.6	-25.2	-11.9	-7.0	+45.5	+41.7	+6.4	+11.8	-27.6	+3.1
Private Housing Starts (thousands)	1,583	1,264	1,004	1,200	1,300	1,281	1,491	1,594	2,001	1,744	1,137	1,324
Single-Family	1,058	749	662	730	846	919	1,000	1,146	1,433	1,193	757	1,090
Multi-Family	525	515	342	470	454	362	491	448	567	551	380	234
Subsidized	59	149	151	193	174	136	-	135	135	120	136	136
Mobile Home Shipments (thousands)	282	264	218	268	285	283	289	308	278	273	233	201
Housing Inventories (millions)	83.1	83.5	83.7	83.8	83.8	84.1	84.1	84.4	81.5	82.8	83.7	84.4
Rental Vacancy Rate (percent)	5.0	4.9	4.9	4.8	4.8	4.9	5.0	5.0	5.1	5.0	4.7	5.0
Unsold New Homes (percent of sales)	66.9	73.4	76.4	76.0	71.2	71.0	69.1	68.6	50.1	59.4	73.5	68.1
Office Vacancy Rate (percent)(2)	3.8	3.4	3.4	3.6	3.8	4.0	4.1	4.2	3.4	3.4	3.8	4.1
Industrial Vacancy Rate (percent)(2)	3.9	3.3	3.7	3.8	4.1	4.1	3.8	3.6	3.8	3.8	3.8	3.9
Existing Home Prices - Median (thousands of dollars)	56.1	58.5	61.3	63.4	63.6	66.0	68.3	72.0	48.7	55.9	61.8	70.1
Percent Change - Year Ago	11.0	11.1	9.9	10.6	13.6	12.9	13.0	13.6	13.9	14.1	11.2	13.5
New Home Prices - Median (thousands of dollars)	62.5	65.6	67.3	69.9	71.1	72.4	76.1	79.8	55.8	62.8	68.6	77.1
Percent Change - Year Ago	6.1	6.9	8.6	9.3	13.9	13.1	12.4	12.6	13.9	12.5	9.2	12.6
FINANCIAL MARKETS												
Total Time and Savings Deposits (% change)	10.7	8.0	7.4	3.7	1.8	3.2	4.3	5.5	11.6	9.4	7.2	3.9
Savings Rate (percent)	5.5	5.4	5.3	5.0	5.7	5.3	5.5	5.3	4.9	4.6	5.7	5.4
New Mortgage Commitments (billions of dollars)	104.7	94.2	72.4	56.8	62.3	70.6	81.3	91.4	136.0	123.0	71.5	84.7
Percent Change - Year Ago	-29.4	-21.4	-44.8	-58.0	-40.5	-25.2	11.5	60.9	1.6	-9.6	-41.8	18.4
Mortgage Debt Outstanding (billions of dollars)	1,334	1,358	1,384	1,408	1,429	1,455	1,485	1,517	1,113	1,272	1,394	1,502
Money Supply (M2) (% change)	9.2	5.7	4.6	1.2	2.7	1.8	1.9	4.7	8.8	8.0	6.4	2.6
New Home Mortgage Commitment Rate (percent)	12.27	13.60	15.04	14.57	14.16	13.85	13.64	13.45	9.69	11.23	14.34	13.54
AAA Corporate Bond Rate (percent)	10.54	12.14	12.83	12.26	11.90	11.20	11.06	11.04	8.72	9.63	12.28	11.09
Prime Rate (percent)	15.08	16.11	19.97	16.46	14.88	13.48	13.09	12.62	9.06	12.67	16.66	12.95
Federal Funds Rate (percent)	13.58	14.05	16.74	14.19	11.09	12.14	11.80	11.56	7.93	11.19	14.82	11.69

<1> Assumptions include a $10 billion rollback in scheduled Social Security taxes after 1981:1 and a $5 billion (annual rate) cut in corporate income taxes beginning 1981:1.
<2> Historical data courtesy of Coldwell Banker.

Source: Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Hugh Graham, Kenneth Kerin, and Glenn Crellin.

OUTLOOK FOR THE ECONOMY AND REAL ESTATE



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June 1980

U. S. ECONOMIC OUTLOOK

General Economy

The serious recession which has affected the housing industry for eight months is clearly spreading to the rest of the economy. Retail sales have declined drastically over the last 60 days, industrial output has dropped and unemployment is growing rapidly.

Real national output is expected to drop by 3.5 percent by the November election, from its peak in the first three months of the year, making the current recession worse than the average post-war recession but less severe than that of 1974-75. Output is expected to increase a modest 1.2 percent in 1981 and a strong 5.3 percent in 1982.

The current recession has been led by drops in residential investment and durable goods consumption. A significant improvement in housing starts, auto purchases and business investment in new equipment is expected to lead the economic recovery over the next two years.

Unemployment is forecast to rise to 9 percent before the end of this year and slowly decline during 1981 and 1982 as economic activity picks up early next year and becomes much stronger in 1982.

Because of the severity of the current recession, and the expected slower growth of OPEC prices during the next several months, consumer inflation is forecast to slow temporarily from around 18 percent in March to about 10 percent by the end of the year. However, as the economy begins to improve next year, inflation is expected to accelerate again. One of the difficulties of lowering the underlying rate of price increase is that increases in average compensation per worker-hour and therefore labor costs, are likely to rise from 9 percent in 1979 and 1980 to 11 percent during 1981 and 1982. Although productivity growth is expected to decline during 1980, a modest improvement should occur during the next two years.

Corporate profits are suffering much more during the current recession than other sources of income and more than during previous economic cycles. Based on government figures, after-tax profits from current production are at an all-time low of 2¢ for every final sales dollar. While profits from current production are forecast to improve slowly during the next two years, they will continue to fall short of the 4-5¢ for every final sales dollar required to provide adequate investment incentive. Increases in corporate taxes because of the effects of inflation on depreciation allowances and the impact of costly government over-regulation are two major reasons for the slow growth of investment and productivity in the U.S. since 1973.

A

Real Estate Outlook

Existing home sales have dropped a record 45 percent from last Fall, from 3.9 million units (annual rate) to 2.2 million in May. However, there are signs of a slight improvement in June and sales can be expected to improve gradually throughout the remainder of 1980 and into 1981 before reaching a record level in 1982. Housing starts are forecast to rise only modestly over the next six months, but a significant improvement can be expected during the next two years, averaging 1.5 million units in 1981 and over 2 million units in 1982.

Housing prices, and particularly prices for new homes, are currently increasing at a rate less rapidly than overall inflation and this should continue during the next six months. However, both existing and new home prices are expected to rise faster than overall inflation through 1981 and 1982 because of the declining inventory of unsold new homes and the acceleration in residential construction inflation expected during the next two years.

New home mortgage commitment rates have declined significantly from a high of over 16 percent in April to around 13 percent. This drop in mortgage interest rates and the temporary slower growth of housing prices has greatly reduced monthly payments of principal and interest from just two months ago. The typical monthly mortgage payment on the median priced home has declined from $677 (or 30% of average spendable income) in April to an estimated $549 (or 24% of spendable income) in June.

While the housing market collapsed during the last eight months, investment in commercial and industrial structures remained robust. Now, however, non-residential construction is declining due to high interest rates and slowing economic activity. This decline is expected to continue until mid-1981. Office vacancy rates and the industrial vacancy rate indicate a relative shortage of space which will continue to exert pressure for increased commercial and industrial investment during 1981 and 1982.

Inflation rates have shown signs of slowing and mortgage interest rates have fallen sharply as the economy has slowed drastically. Unfortunately, this has been largely due to the severity of the current recession rather than to a wise choice of economic policies. Although further modest declines in interest rates can be expected this Summer, mortgage interest rates on residential, commercial and industrial real estate loans are expected to remain around 12 or 13 percent during the remainder of this year. Mortgage interest rates are expected to increase again in 1981 as the economy recovers and inflation accelerates while the federal government continues to stimulate the economy with excessive federal spending and fights inflation with tight credit policies. Unless a change in this inappropriate mix of government economic policies occurs, the problems of high interest rates and inflation are likely to persist for most of the next five years. Slower growth of federal spending, smaller government deficits and tax relief to stimulate savings and investment are needed to achieve lower interest rates, reduce inflation and increase economic well being.

OUTLOOK FOR THE U.S. ECONOMY AND REAL ESTATE

JUNE 1980

	QUARTERS								YEARS				
	Actual	Forecast							Actual		Forecast		
	80:1	80:2	80:3	80:4	81:1	81:2	81:3	81:4	1978	1979	1980	1981	1982
AGGREGATE ECONOMY													
Gross National Product ($ billions)	2,516	2,526	2,550	2,606	2,688	2,783	2,885	3,003	2,128	2,369	2,549	2,840	3,291
Percent Change	10.0	1.6	3.8	9.1	13.2	14.9	15.4	17.4	12.0	11.3	7.6	11.4	15.9
Percent Change (without inflation)	0.6	-7.3	-4.9	-1.1	1.0	4.4	5.0	5.9	4.4	2.3	-1.3	1.2	5.3
Consumption	0.3	-6.8	-2.8	-0.1	1.7	3.0	3.7	4.7	4.5	2.6	-0.4	0.9	4.1
Residential Investment	-24.6	-45.0	-27.3	-4.7	20.2	34.7	33.2	30.5	4.2	-5.7	-21.0	6.9	29.4
Nonresidential Investment	4.3	-8.2	-11.7	-7.0	0.6	3.0	5.3	6.6	8.4	6.2	-1.4	-1.7	6.8
Structures	2.9	-11.4	-15.4	-9.2	-6.5	-2.8	1.8	3.9	12.2	9.6	-0.1	-6.3	4.0
Equipment	4.9	-6.6	-9.8	-5.9	4.2	5.7	6.9	7.8	6.7	4.7	-2.0	0.5	8.1
Exports	19.6	3.3	-0.3	-0.7	1.5	4.7	5.9	5.6	10.6	10.1	9.0	2.4	6.4
Imports	5.9	-9.6	-6.1	-2.9	5.2	5.7	6.8	6.9	11.1	4.4	0.4	1.6	6.9
Government Purchases	4.3	-3.2	-1.6	-0.4	-0.1	0.3	0.6	1.0	1.8	0.4	1.2	-0.3	1.7
Residential Investment (% of GNP)	3.6	3.2	3.0	2.9	3.0	3.2	3.4	3.6	4.3	4.0	3.2	3.3	4.1
Nonresidential Structures Investment (% of GNP)	3.5	3.5	3.4	3.3	3.2	3.2	3.1	3.1	3.1	3.4	3.4	3.2	3.1
Inventory Change ($ billions)	0.1	-5.7	-12.7	-15.4	-5.7	1.9	8.7	16.3	22.3	18.1	-8.4	5.3	24.2
Mfg. Capacity Utilization Rate (%)	84	74	76	75	75	77	78	80	84	86	78	78	84
Manufacturing Industrial Production (% change)	-0.9	-19.4	-10.3	-4.6	5.1	10.8	12.8	12.9	6.1	4.4	-5.8	1.8	11.0
Employment (millions)	97.8	96.7	96.0	95.8	96.1	96.8	97.5	98..	94.4	96.9	96.6	97.1	100.4
Unemployment Rate (%)	6.1	7.6	8.5	9.0	9.1	8.9	8.7	8.5	6.0	5.8	7.8	8.8	7.7
Real Disposable Income per Household (% change)	-0.2	-3.6	-3.1	1.7	-1.6	1.4	3.1	2.6	3.8	1.5	-1.2	0.1	2.4
Disposable Income per Household (average)	26,912	27,320	27,786	28,433	29,192	30,126	31,138	32,160	22,766	25,306	27,613	30,654	34,701
Total Taxes per Household (average)	11,982	11,880	11,889	11,947	12,406	12,874	13,338	13,850	10,114	11,207	11,924	13,117	15,074
Percent Change	9.5	-3.3	0.3	2.0	16.3	16.0	15.2	16.2	12.3	10.8	6.4	10.0	14.9
Consumer Price Inflation (CPI)	16.9	14.4	10.1	10.1	10.7	11.8	11.7	11.9	7.7	11.3	13.8	11.1	11.[illegible]
Producers Price Inflation (WPI)	17.1	6.0	11.8	13.0	14.1	14.8	14.6	15.0	7.8	12.5	13.5	13.4	14.0
Gross National Product Inflation (GNP Deflator)	9.3	9.5	9.2	10.3	9.9	10.0	10.9	10.9	7.3	8.9	9.1	10.0	10.1
Residential Construction Inflation	8.3	6.6	9.8	12.1	13.4	13.5	13.5	13.5	13.1	12.3	9.1	12.3	12.8
Nonresidential Construction Inflation	9.1	7.1	9.9	11.6	11.9	12.6	12.8	12.9	8.8	10.5	9.7	11.6	12.5
Compensation per Manhour (% change)	9.7	9.8	10.7	11.3	13.4	11.1	10.9	10.9	8.6	8.9	9.6	11.5	11.1
Productivity (% change)	-0.3	-6.1	-3.5	-1.2	0.4	1.0	1.3	2.4	0.5	-1.1	-2.0	-0.5	2.0
Unit Labor Cost (% change)	10.1	16.7	14.6	12.7	12.9	10.0	9.5	8.4	8.0	10.2	11.9	12.0	8.9
Before Tax Corporate Profits ($ billions)	257	234	209	204	191	204	219	237	206	237	226	213	270
Corporate Tax Liability	102	93	83	81	69	74	80	87	85	93	90	78	99
After Tax Profits	156	141	126	123	122	130	139	150	122	144	136	135	171
Inventory Valuation Adjustment	-63	-57	-46	-47	-53	-60	-63	-67	-25	-42	-53	-61	-66
Capital Consumption Adjustment	-22	-22	-22	-23	-13	-14	-15	-16	-13	-17	-22	-14	-14
Profits from Current Production	70	62	58	53	56	56	61	67	83	86	61	60	91
Adjusted for Inflation (80:1 base)	70	61	55	49	51	50	53	57	95	90	59	53	72
Percent Change - Year Ago	-26.4	-34.9	-39.1	-40.3	-27.3	-18.0	-4.0	15.6	0.2	-5.1	-34.9	-10.5	37.6
Per Unit of Output (% of GNP)	2.8	2.5	2.3	2.0	2.1	2.0	2.1	2.2	3.9	3.6	2.4	2.1	2.8
Effective Corporate Tax Rate (%)	59	60	59	61	55	57	57	56	50	52	60	56	52
Federal Tax Receipts (NIA basis)	541	535	534	533	562	588	614	642	432	498	536	601	710
Federal Expenditures (NIA basis)	562	571	595	616	629	642	663	682	460	509	586	654	727
Surplus or Deficit (NIA basis) <1>	-22	-36	-62	-83	-68	-53	-49	-40	-28	-11	-51	-52	-16
REAL ESTATE MARKETS													
Existing Single-Family Home Sales (thousands)	2,983	2,388	2,786	3,182	3,293	3,566	3,679	3,819	3,863	3,701	2,835	3,589	4,149
Percent Change - Year Ago	-19.5	-36.0	-26.9	-10.5	10.4	49.3	32.1	20.0	8.8	-4.2	-23.4	26.6	15.6
Dollar Volume (billions)	205.9	169.3	204.6	233.2	250.3	280.7	302.7	315.0	214.4	237.6	203.3	287.2	375.3
New Single-Family Home Sales (thousands)	523	350	458	525	538	565	593	617	817	712	464	578	732
Percent Change - Year Ago	-29.8	-51.0	-38.2	-15.4	2.8	61.4	29.6	17.5	-0.2	-12.9	-34.2	24.6	26.6
Private Housing Starts (thousands)	1,263	1,007	1,113	1,222	1,329	1,484	1,628	1,736	2,020	1,744	1,151	1,544	2,111
Single-Family	801	623	736	810	924	1,066	1,196	1,293	1,433	1,193	742	1,120	1,637
Multi-Family	462	384	377	412	405	418	432	442	587	551	409	424	475
Subsidized	149	151	151	174	136	156	155	177	135	120	156	156	153
Mobile Home Shipments (thousands)	257	210	182	180	181	188	196	198	278	273	207	191	216
Housing Inventory (millions)	83.5	83.7	83.8	83.9	84.1	84.3	84.5	84.7	81.4	82.8	83.7	84.4	85.5
Rental Vacancy Rate (%)	5.0	5.0	5.1	5.3	5.5	5.5	5.5	5.4	5.0	5.3	5.1	5.5	5.2
Unsold New Homes (% of sales)	76.7	77.0	71.8	68.9	66.5	64.4	67.6	66.5	50.1	59.4	73.6	66.2	61.2
Office Vacancy Rate (%)<2>	3.4	3.5	3.7	3.8	4.0	4.1	4.2	4.1	6.4	4.4	3.6	4.1	3.7
Industrial Vacancy Rate (%)<2>	3.5	3.7	3.9	4.3	4.2	4.0	3.9	3.8	2.8	3.0	3.8	4.0	3.5
Existing Home Prices - Median ($1000's)	58.8	60.9	63.5	63.6	66.2	68.7	72.0	72.2	48.7	55.7	61.7	69.8	79.3
Percent Change - Year Ago	11.9	9.1	10.1	13.3	12.6	12.8	13.4	13.6	13.9	14.1	11.1	13.1	13.6
Monthly Mortgage Payment (P&I, 80%, 30 yr.)	544	630	563	514	546	576	609	612	333	431	563	586	682
Percent of Household Income	24	28	24	22	22	23	23	23	18	20	24	23	24
New Home Prices - Median ($1000's)	64.3	65.6	67.5	69.5	71.8	74.2	76.7	79.4	55.7	62.9	66.7	75.5	86.4
Percent Change - Year Ago	5.9	5.0	3.0	11.4	11.6	13.1	13.7	14.2	13.9	12.5	6.3	13.2	14.4
FINANCIAL MARKETS													
Total Time and Savings Deposits (% change)	8.0	7.4	6.1	8.2	7.8	7.7	6.5	4.6	11.6	9.4	7.9	7.2	5.5
Savings Rate (%)	5.7	4.7	4.8	5.6	5.0	4.9	5.0	4.8	4.9	4.6	4.7	4.9	4.4
New Mortgage Commitments ($ billions)	89.2	81.1	74.7	92.5	105.0	112.2	120.0	118.2	136.0	123.0	79.3	113.8	108.3
Percent Change - Year Ago	-25.6	-53.8	-44.8	-11.7	17.8	83.7	60.7	27.8	1.6	-9.6	-35.5	43.5	-4.9
Mortgage Debt Outstanding ($ billions)	1,335	1,345	1,363	1,390	1,419	1,454	1,485	1,515	1,113	1,272	1,358	1,468	1,588
Money Supply (M2) (% change)	5.7	4.0	4.9	8.4	8.2	7.3	6.2	4.2	8.6	8.0	7.1	6.9	5.1
New Home Mortgage Commitment Rate (%)	13.64	15.37	13.03	11.76	12.04	12.25	12.37	12.39	9.69	11.23	13.45	12.26	12.60
AAA Corporate Bond Rate (%)	12.14	11.35	10.79	10.28	9.96	9.74	9.82	9.98	8.72	9.63	11.14	9.88	10.71
Prime Rate (%)	16.40	15.54	11.86	10.50	10.34	10.67	11.40	11.95	9.06	12.67	13.82	11.09	12.73
Federal Funds Rate (%)	15.05	12.24	8.89	8.88	9.72	10.31	10.96	11.57	7.93	11.19	11.26	10.64	12.20

<1> Assumptions include an $18 billion cut in personal tax liabilities beginning 1980:4 and a $12 billion (annual rate) cut in corporate income taxes beginning 1981:1.
<2> Historical data courtesy of Coldwell Banker.

Source: Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Hugh Graham, Kenneth Kerin, and Glenn Crellin.

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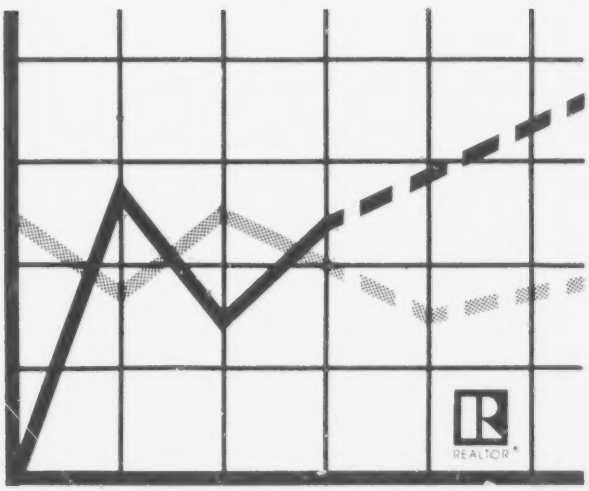
OUTLOOK FOR THE ECONOMY AND REAL ESTATE



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September 1980

U. S. ECONOMIC OUTLOOK

General Economy

After declining at a record nine percent rate in the spring -- the second worst recession in 40 years -- the economy is showing signs of a recovery within the next three months. The housing industry has experienced a modest recovery since May and consumer spending improved during the summer. The volume of output of goods and services is expected to decline by 1.4 percent this year and recover with a modest 1.5 percent increase in output in 1981 and a stronger 4.3 percent during 1982. Employment will grow during 1981 and 1982 while the unemployment rate declines slowly.

Consumer prices were unchanged in July for the first time in 13 years but producer prices increased by 1.7 percent or at a compound annual rate of 22.4 percent. Both indexes are misleading indicators of the underlying rate of inflation which is currently nearly 10 percent. Capital costs are increasing around 10 percent per year while unit labor costs will increase at just under 10 percent per year. Compensation increases of more than 10 percent will be offset by only 1 1/2 percent productivity growth next year as workers attempt to catch up with past increases in consumer prices. The increase in energy prices and higher social security taxes will keep consumer prices rising at close to 11 percent during both 1981 and 1982. This will be partially offset by the delayed impact of the recession helping to reduce inflation.

Interest rates dropped rapidly earlier this spring but undershot and have now moved up to more sustainable rates, given the underlying inflation rate and the even higher forecast of inflation for the next few years. While short term rates will fluctuate widely, this can be expected to slowly trend upward during the next two years. Long term rates, such as mortgage rates, can expect to stabilize at slightly above current rates through most of 1981. The Federal Reserve Board can be expected to maintain tighter controls on the growth of money supply and credit than has occurred in past economic recoveries. However, the Congress and the President are likely to continue excessive deficit spending which will cause higher inflation and interest rates within two years.

Tax Relief

The major Presidential candidates and the Senate Finance Committee have proposed tax relief but delayed until next year. President Carter proposes the longest delay -- three-quarters of his tax relief would not be effective until October-December, 1981. Ignoring politics, tax relief should be enacted now.

Neither President Carter nor Governor Reagan proposes tax relief to encourage housing. The tax proposals of both candidates would siphon funds out of housing towards competing investments and neither plan would attempt to directly encourage higher savings to provide funds for industry as well as real estate. The Reagan-endorsed 10-5-3 depreciation reform bill also explicitly excludes rental housing, the housing in short supply today.

The Reagan endorsed proposal for individual tax relief (involving about $25 billion in reductions in the first year, $60 billion in the second year, $120 billion in the third year), and the 10-5-3 depreciation reform bill ($40 billion in tax relief by the third year) represents a very substantial reduction in federal revenues. He has not however proposed slowing the growth of federal deficit spending sufficiently to make room for nearly $200 billion tax relief by the third year. Without such a slowdown in spending growth, the large tax relief proposed by Reagan would accelerate both inflation and interest rates and hurt housing and other real estate in the long run.

President Carter's tax program, while more modest, does not propose any restraint on deficit spending; in fact he proposes further increases in spending in 1981. This comes on top of the 17 percent estimated increases in spending now estimated for 1980. President Carter's proposals would also increase bureaucratic clearances and interpretation and would add to government intervention into the private sector.

In yet another tax package the Senate Finance Committee proposes a 20-year safe harbor for residential structures which provides a small incentive for additional housing construction. However, this incentive probably would not be enough to offset generous tax relief to other industries which would also siphon funds away from housing.

Commercial and Industrial Real Estate

Investment in new nonresidential structures is expected to decline through the middle of 1981 and then improve slowly through 1982, reflecting an expected drop in the utilization of existing industrial structures and equipment from 84 percent to 75 percent during the next 12 months and a forecast 12 months increase in office and industrial vacancy rates. Nonresidential construction prices will escalate at an 11 percent rate in both 1980 and 1981, then accelerate to a 12 percent rate as the demand for new buildings strengthens during 1982.

Housing

After 18 months of generally declining existing home sales, June and July registered encouraging increases in activity. Housing permits and starts and new home sales paralleled this behavior. However recent increases in interest rates have slowed the recovery in housing activity. Nevertheless, further improvement is forecast and housing starts are expected to recover from 1.3 million units this year to 1.7 million in 1981 and 2.1 million in 1982. Existing home sales should reach 3.7 million sales in 1981 and set a new record of 4.2 million sales in 1982.

Even though the median price of new homes increased by only 4.1 percent since last year, after adjusting for size and quality new home prices increased by 10.2 percent. Both new and existing home prices should increase by 11 to 12 percent in 1981 and 12 to 13 percent in 1982 -- faster than consumer prices, but slightly slower than growth in household income -- so that affordability is not likely to worsen. Based upon slightly increasing mortgage interest rates and accelerating housing prices, now is the best time to buy a home in comparison with the last 11 months or compared to 1981 and 1982.

OUTLOOK FOR THE U.S. ECONOMY AND REAL ESTATE

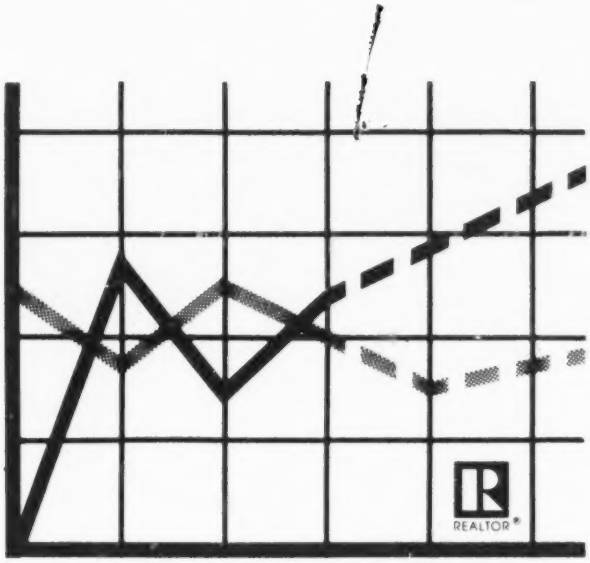
SEPTEMBER 1980

	QUARTERS								YEARS				
	Actual		Forecast						Actual		Forecast		
	80:1	80:2	80:3	80:4	81:1	81:2	81:3	81:4	1978	1979	1980	1981	1982
AGGREGATE ECONOMY													
Gross National Product ($ billions)	2,521	2,525	2,560	2,626	2,708	2,798	2,897	3,004	2,128	2,369	2,558	2,852	3,263
Percent Change	10.8	0.6	5.8	10.6	13.2	13.9	15.0	15.6	12.0	11.3	8.0	11.5	14.4
Percent Change (without Inflation)	1.2	-9.0	-4.2	0.2	3.8	4.0	4.8	4.7	4.4	2.3	-1.4	1.5	4.3
Consumption	0.5	-9.8	-1.3	1.8	2.2	1.7	2.7	4.0	4.5	2.6	-0.7	1.0	3.4
Residential Investment	-26.3	-61.6	12.2	14.6	40.7	37.5	23.7	21.2	4.2	-5.7	-21.6	17.5	21.3
Nonresidential Investment	1.9	-15.4	-9.3	0.6	-2.4	3.7	3.5	4.1	8.4	6.2	-2.7	-1.4	4.1
Structures	1.2	-8.9	-13.5	-8.4	-8.3	-2.4	0.8	2.0	12.2	9.6	0.3	-6.3	2.5
Equipment	2.0	-18.4	-7.2	5.4	0.5	6.7	4.7	5.0	6.7	4.7	-4.1	1.0	4.9
Exports	26.0	-9.7	-4.8	-2.1	0.1	5.0	6.3	6.3	10.6	10.1	7.0	0.4	6.8
Imports	10.4	-21.6	-7.7	0.5	5.1	6.3	8.2	9.1	11.1	4.4	-1.2	1.4	6.4
Government Purchases	4.3	1.9	0.6	-2.7	-1.0	1.5	1.2	1.4	1.8	0.4	2.3	-0.1	2.2
Residential Investment (% of GNP)	3.6	2.9	3.0	3.1	3.3	3.6	3.7	3.9	4.3	4.0	3.1	3.6	4.2
Inventory Change ($ billions)	4.7	13.6	-6.7	-14.9	-4.3	2.6	14.7	20.9	22.3	18.1	-0.8	8.4	20.6
Mfg. Capacity Utilization Rate (%)	84	78	75	75	76	77	79	80	84	86	78	78	82
Manufacturing Industrial Production (% change)	-0.9	-21.4	-10.4	0.3	7.5	11.5	11.7	9.9	6.1	4.4	-6.0	3.0	7.6
Employment (millions)	97.8	96.9	96.7	96.1	96.8	97.4	98.1	98.8	94.4	96.9	96.9	97.8	100.6
Unemployment Rate (%)	6.1	7.5	7.9	8.7	8.5	8.4	8.1	8.0	6.0	5.8	7.6	8.3	7.6
Disposable Income per Household (average)	26,915	27,145	27,795	28,500	29,046	29,824	30,801	31,888	22,766	25,306	27,589	30,390	34,245
Percent Change (without inflation)	0.1	-6.7	0.7	-0.6	2.0	0.3	2.8	3.5	3.8	1.5	-1.4	0.6	2.1
Total Taxes per Household (average)	11,953	11,815	11,839	12,173	12,407	12,866	13,354	13,863	10,114	11,207	11,945	13,123	15,028
Percent Change	8.5	-4.5	0.8	11.8	7.9	15.6	16.0	16.2	12.3	10.8	6.6	9.9	14.5
Consumer Price Inflation (CPI)	16.9	13.7	8.3	10.3	10.7	11.2	11.3	11.3	7.7	11.3	13.5	10.7	10.6
Gross National Product Inflation (GNP Deflator)	9.5	10.6	10.4	10.4	9.1	9.5	9.7	10.4	7.3	8.9	9.5	9.8	9.7
Personal Consumption Inflation	12.4	10.8	9.9	10.8	10.6	10.0	10.1	10.1	6.8	8.9	10.7	10.4	9.7
Residential Construction Inflation	9.8	10.9	9.4	11.0	12.6	12.3	12.5	12.7	13.1	12.3	10.1	11.8	11.6
Nonresidential Construction Inflation	11.5	12.2	9.4	10.2	10.9	11.5	12.1	12.8	8.8	10.5	11.1	11.1	11.9
Producers Price Inflation (WPI)	17.7	4.9	15.9	13.9	12.9	13.4	14.0	14.4	7.8	12.5	14.0	13.3	12.7
Compensation per Manhour (% change)	10.7	10.8	9.9	11.0	12.1	10.5	10.7	10.6	8.5	8.9	10.0	11.0	10.6
Productivity (% change)	-1.0	-4.1	-1.9	2.5	2.5	2.9	2.0	2.2	0.5	-1.2	-1.4	1.5	2.2
Unit Labor Cost (% change)	12.1	15.6	12.0	8.3	9.3	7.4	8.5	8.3	8.0	10.2	11.6	9.3	8.2
Before Tax Corporate Profits ($ billions)	260	209	201	206	221	240	254	270	206	237	219	246	299
Corporate Tax Liability	102	80	77	79	85	92	98	104	85	93	85	95	115
After Tax Profits	158	129	124	127	136	148	156	166	122	144	135	152	184
Profits from Current Production (with IVA and CCA)	73	77	70	68	70	72	72	75	83	86	72	72	90
Adjusted for Inflation (80:1 base)	73	75	67	63	64	64	63	63	95	90	69	63	72
Percent Change - Year Ago	-23.9	-20.4	-26.3	-23.6	-12.2	-14.6	-5.8	0.6	0.2	-5.1	-23.5	-8.4	13.0
Per Unit of Output (% of GNP)	2.9	3.0	2.7	2.6	2.6	2.6	2.5	2.5	3.9	3.6	2.8	2.5	2.7
Effective Corporate Tax Rate (%)	59	51	52	54	55	56	57	58	50	52	54	57	56
Federal Tax Receipts (Unified basis)	115	156	134	125	120	179	153	143	104	120	132	149	178
Federal Expenditures (Unified basis)	142	148	150	156	160	160	164	174	115	127	149	165	184
Surplus or Deficit (Unified basis) <1>	-27	8	-16	-32	-41	20	-11	-31	-11	-7	-17	-16	-6
Full Employment Surplus or Deficit	9	9	12	15	14	29	34	40	-13	8	11	29	52
REAL ESTATE MARKETS													
Existing Single-Family Home Sales (thousands)	2,983	2,403	2,980	3,175	3,338	3,675	3,785	3,974	3,863	3,701	2,885	3,693	4,202
Percent Change - Year Ago	-19.5	-35.5	-21.9	-10.7	11.9	52.9	27.0	25.2	8.8	-4.2	-22.1	28.0	13.8
Dollar Volume (billions)	205.9	173.0	221.6	229.8	253.6	287.6	306.2	322.1	214.4	237.6	207.6	292.4	373.7
New Single-Family Home Sales (thousands)	530	446	545	528	548	553	566	576	817	712	512	561	631
Percent Change - Year Ago	-28.9	-37.5	-26.5	-14.9	3.4	24.0	3.9	9.0	-0.2	-12.9	-27.3	9.5	12.6
Private Housing Starts (thousands)	1,263	1,048	1,340	1,397	1,598	1,702	1,759	1,851	2,020	1,744	1,262	1,728	2,117
Single-Family	802	672	908	943	1,088	1,222	1,296	1,365	1,433	1,193	831	1,243	1,526
Multi-Family	462	376	432	455	510	480	463	485	587	551	431	485	590
Subsidized	149	151	151	174	136	156	155	177	135	120	156	156	153
Mobile Home Shipments (thousands)	257	175	182	196	216	211	210	214	277	276	203	213	238
Housing Inventory (millions)	83.5	83.7	83.8	84.0	84.2	84.4	84.7	85.0	81.4	82.8	83.8	84.6	85.8
Rental Vacancy Rate (%)	5.0	5.4	5.2	5.3	5.4	5.5	5.4	5.4	5.0	5.3	5.2	5.4	5.3
Unsold New Homes (% of sales)	75.7	86.4	67.1	66.7	63.2	59.9	60.5	59.5	50.1	59.4	74.0	60.8	59.3
Office Vacancy Rate (%)<2>	3.4	3.5	3.7	3.8	3.9	4.0	4.1	4.1	6.4	4.4	3.6	4.0	3.8
Industrial Vacancy Rate (%)<2>	3.5	3.4	3.6	3.9	3.9	3.8	3.7	3.6	2.8	3.0	3.6	3.8	3.3
Existing Home Prices - Median ($1000's)	58.8	61.7	64.1	62.7	66.1	68.2	70.7	71.0	48.7	55.7	61.8	69.0	78.0
Percent Change - Year Ago	11.9	10.5	11.3	11.7	12.3	10.7	10.2	13.2	13.9	14.1	11.3	11.6	13.0
Monthly Mortgage Payment (P&I, 80%, 30 yr.)	544	633	544	548	583	605	628	635	333	431	567	613	686
Percent of Household Income	24	28	23	23	24	24	24	24	18	20	25	24	24
New Home Prices - Median ($1000's)	63.5	63.1	68.2	69.4	69.7	71.3	75.3	77.4	55.7	62.9	66.1	73.4	82.6
Percent Change - Year Ago	4.6	1.0	4.1	11.2	9.7	13.0	10.4	11.5	13.9	12.5	5.2	11.1	12.5
New Home Prices--Mean ($1000's, Quality Adjusted)	72.0	74.1	76.6	78.4	80.1	82.5	85.6	87.8	59.6	68.1	75.3	84.0	94.5
Percent Change - Year Ago	11.3	9.8	10.2	11.0	11.2	11.3	11.7	12.0	13.8	14.2	10.6	11.6	12.6
FINANCIAL MARKETS													
Total Time and Savings Deposits (% change)	8.0	8.9	7.5	8.6	9.1	10.4	9.1	8.6	11.6	9.4	8.4	9.0	7.0
Savings Rate (%)	3.7	4.8	5.6	5.4	5.6	5.4	5.6	5.6	4.9	4.6	4.9	5.5	5.0
New Mortgage Commitments ($ billions)	81.3	57.5	62.5	75.3	75.2	81.8	95.8	113.9	142.4	129.0	69.1	91.7	113.9
Percent Change - Year Ago	-36.2	-58.7	-55.0	-32.0	-7.4	42.2	53.4	51.3	2.2	-9.4	-46.4	32.6	24.2
Mortgage Debt Outstanding ($ billions)	1,363	1,370	1,382	1,406	1,440	1,482	1,525	1,572	1,113	1,272	1,380	1,505	1,664
Money Supply (M2) (% change)	5.7	4.9	6.5	7.7	8.3	11.0	9.7	9.2	8.6	8.0	7.4	8.5	6.9
New Home Mortgage Commitment Rate (%)	13.64	15.23	12.40	12.83	12.97	13.03	13.05	13.15	9.69	11.23	13.53	13.05	12.93
Prime Rate (%)	16.40	16.32	11.40	11.69	11.63	12.05	12.17	12.30	9.06	12.67	13.95	12.04	13.15
Federal Funds Rate (%)	15.05	12.69	9.80	11.37	11.8	12.08	11.91	12.18	7.93	11.19	12.22	12.00	13.20

<1> Assumptions include an $24 billion cut in personal tax liabilities beginning 1981:1 and a $ 5 billion (annual rate) cut in corporate income taxes beginning 1981:1.
<2> Historical data courtesy of Coldwell Banker.

Source: Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Hugh Graham, Kenneth Kerin, and Glenn Crellin.

OUTLOOK FOR THE ECONOMY AND REAL ESTATE



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THE U.S. ECONOMIC AND REAL ESTATE OUTLOOK

General Economic Outlook

Following the dramatic decline in output in the spring, preliminary indications of the start of the economic recovery continued during the last month. The unemployment rate fell slightly in September and the Department of Commerce's index of leading economic indicators rose for the third straight month. Consumer spending and new housing starts continued their modest rebound and the foreign trade sector added considerable strength to the economy during the summer.

The early signs of economic recovery should keep the overall drop in the nation's output of goods and services to less than 1 percent this year. With the expected continuation of the Federal Reserve Board's tight credit policies, national output after adjusting for inflation is forecast to increase by a modest 1.6 percent next year. However, by 1982, the national economy is expected to grow strongly as output rises by 4.3 percent.

The earlier than anticipated turnaround in the economy should keep the unemployment rate from increasing much above 8 percent during the early part of next year. As the predicted recovery gathers momentum in late 1981, employment gains should increase and the unemployment rate may drop below 7 percent again by late 1982.

While the outlook for a recovery in the growth of national output is moderately encouraging, the prospects for a renewal of accelerating inflation and continued high interest rates paint a darker picture. Consumer prices rose at an annual rate of 8.7 percent in August. However, the impact of the most recent increases in mortgage interest rates have yet to be reflected in the consumer price index. This factor, together with further increases in food and energy costs and with labor costs rising at 10 percent per year, is likely to keep inflation running at over 11 percent for the next two years.

Reacting to the sharply depressed economy, interest rates fell dramatically in the spring. As loan demand stabilized and the economy recovered, both long and short-term interest rates have risen again. The new approach by the Federal Reserve Board to management of the growth of money and credit will mean wider fluctuations in short-term interest rates over the next two years. With high inflation forecast to continue through 1982 and the Federal Reserve Board expected to maintain a tight stance on credit growth, there seems little prospect of substantial declines in interest rates. Moreover, the continuation of excessive growth of federal spending and growing federal deficits is placing further upward pressure on interest rates. Long-term interest rates, including mortgage rates can be expected to remain in the 13 to 14 percent range over the next two years.

Another risk to the housing recovery arises should the war between Iraq and Iran continue into next year with extensive damage to oil fields. Crude oil production could be reduced by over 3 million barrels per day, causing oil prices to increase by 60 percent during 1981. As a result, inflation might increase by 2 percentage points in 1981 and 1982, with employment dropping by 250,000 jobs next year and over 1 million jobs in 1982. Mortgage interest rates would rise by over 1 percentage point, housing starts could fall by 200,000 units in 1981 and 400,000 in 1982. Existing home sales could fall by nearly 400,000 units in 1981 and 700,000 units in 1982.

Real Estate, Fiscal Policy and the Presidential Election

As the election approaches, both President Carter and Ronald Reagan have refined their policies towards government spending, taxation and housing. Both major presidential candidates early in their campaign advocated anti-housing spending and tax policies.

President Carter continued excessive spending growth which pushed up inflation and interest rates and forced the Federal Reserve Board into adopting tighter credit policies. President Carter also initially opposed much needed tax relief to boost savings and investment. On the other hand, Ronald Reagan at first advocated a massive program of tax relief which was directed too heavily at increasing consumption and with insufficient incentive provided for additional private savings. This would drive up inflation and interest rates and hurt housing. While ignoring the need for tax incentives for increased construction of rental housing, the initial Reagan tax plan would have siphoned funds out of housing into other areas receiving favorable tax treatment.

Recently President Carter has advocated tax relief to stimulate investment, although this is too small, too late, and doesn't provide for incentives for housing construction. Carter has endorsed limited tax relief for savers but again this is too small to be really effective. Unfortunately, President Carter's recent attempts to slow government spending growth were largely cosmetic and inadequate for a real fight against inflation and higher interest rates.

Reagan is now proposing to slow federal spending growth by 2 percent in 1981 and less than growth of people's income in subsequent years to help accommodate his huge tax relief package. If accomplished, this would reduce the inflationary and interest rate-raising effects of his tax cuts. Mr. Reagan has also indicated that he favors increased tax incentives for savers as part of his tax package. However, he has yet to advocate increased tax incentives for rental residential construction and completely eliminate the danger that his tax package will siphon funds out of housing into other areas.

Housing

Sales of existing single-family homes continued to climb in August to a seasonally adjusted annual rate of 3.03 million units. This represents a 3.8 percent rise over July and a 31.2 percent increase from the low point of 2.31 million units in April. Despite this upturn however, sales are still 20 percent below the year ago level. Existing home sales are forecast to average 2.9 million units this year, rising to 3.5 million units in 1981. By 1982, sales should be at a record 4.1 million units.

The improvement in housing activity has also been reflected in the recent increase in new home starts from a low point of 0.9 million units in May to 1.4 million units in August. The recent increases in mortgage rates are expected to keep next year's improvement in new starts fairly modest. New starts are forecast to be 1.6 million units in 1981, up 26 percent from 1980, and over 2 million units in 1982.

Average prices for new homes are expected to increase by 10.5 percent this year, after adjusting for changes in the average size of and quality of homes sold. New and existing home price increases are forecast to accelerate in 1981 at 12 to 13 percent--above the rate of consumer price inflation. The strong housing demand anticipated in 1982 should keep home prices rising above 13 percent in 1982. With an acceleration in housing price increases expected during the next two years and mortgage rates likely to stabilize around present levels, now remains a good time to buy a home.

Commercial and Industrial Real Estate

Continuing high interest rates and the sharp fall in national output during the spring have caused a decline in the construction of new commercial and industrial structures. Nonresidential construction is forecast to decline until summer of next year before beginning a modest recovery. By 1982, new commercial, industrial and agricultural construction activity is expected to be robust, but below the very high growth rates achieved in 1978 and 1979.

OUTLOOK FOR THE U.S. ECONOMY AND REAL ESTATE

OCTOBER 1980

	QUARTERS								YEARS				
	Actual		Forecast						Actual		Forecast		
	80:1	80:2	80:3	80:4	81:1	81:2	81:3	81:4	1978	1979	1980	1981	1982
AGGREGATE ECONOMY													
Gross National Product ($ billions)	2,521	2,521	2,585	2,658	2,749	2,839	2,926	3,019	2,128	2,369	2,571	2,883	3,320
Percent Change	10.8	0.1	10.5	11.7	14.5	13.8	12.8	13.4	12.0	11.3	8.5	12.1	15.1
Percent Change (without inflation)	1.2	-9.6	0.1	0.8	3.8	3.4	2.6	2.0	4.4	2.3	-0.9	1.6	4.3
Consumption	0.5	-10.5	5.2	1.0	4.1	2.4	1.9	1.8	4.5	2.6	-0.1	1.9	3.9
Residential Investment	-26.3	-61.6	5.7	16.0	35.7	25.9	13.6	13.5	4.2	-5.7	-22.1	12.1	21.5
Nonresidential Investment	1.9	-14.7	-6.8	-5.8	-1.8	0.5	3.5	3.3	8.4	6.2	-2.6	-2.7	4.7
Structures	1.2	-9.3	-12.4	-11.2	-8.1	-4.2	2.8	2.1	12.2	9.6	0.2	-6.7	2.6
Equipment	2.0	-17.1	-4.0	-3.1	1.4	2.7	3.8	3.8	6.7	4.7	-3.9	-0.7	5.7
Exports	26.0	-9.9	-6.7	-0.9	0.1	4.3	5.7	5.5	10.6	10.1	6.8	0.2	5.9
Imports	10.4	-23.2	-10.0	0.4	2.9	8.7	9.1	10.2	11.1	4.4	-1.9	1.1	8.8
Government Purchases	4.3	1.3	-0.4	-2.2	-0.1	0.6	1.4	0.3	1.8	0.4	2.1	-0.1	1.7
Residential Investment (% of GNP)	3.6	2.9	2.9	3.0	3.2	3.4	3.5	3.6	4.3	4.0	3.1	3.4	4.0
Inventory Change ($ billions)	4.7	11.4	-7.0	-5.2	-3.1	5.1	8.3	10.5	22.3	18.1	1.0	5.2	17.6
Mfg. Capacity Utilization Rate (%)	83	78	75	75	76	77	78	78	84	86	78	77	81
Manufacturing Industrial Production (% change)	-1.5	-21.5	-14.2	5.4	8.5	8.5	5.4	5.5	6.1	4.6	-5.9	2.5	7.7
Employment (millions)	97.8	96.9	96.9	97.1	97.3	98.1	98.8	99.5	94.4	96.9	97.2	98.4	101.5
Unemployment Rate (%)	6.1	7.5	7.7	7.8	8.0	7.8	7.6	7.4	6.0	5.8	7.3	7.7	6.8
Disposable Income per Household (average)	26,915	27,158	27,921	28,701	29,494	30,390	31,268	32,207	22,766	25,306	27,674	30,840	34,900
Percent Change (without inflation)	0.1	-6.8	2.6	-0.5	3.6	1.0	1.2	1.3	3.8	1.5	-1.2	1.1	2.1
Total Taxes per Household (average)	11,953	11,789	12,066	12,453	12,794	13,239	13,641	14,077	10,114	11,207	12,065	13,438	15,473
Percent Change	8.5	-5.4	9.8	13.4	11.4	14.7	12.7	13.4	12.3	10.8	7.7	11.4	15.2
Consumer Price Inflation (CPI)	16.9	13.7	7.6	11.0	11.9	11.6	11.5	11.5	7.7	11.3	13.4	11.2	11.1
Gross National Product Inflation (GNP Deflator)	9.5	10.7	10.4	10.8	10.2	10.1	9.9	11.1	7.3	8.9	9.6	10.4	10.3
Personal Consumption Inflation	12.4	11.0	9.3	11.1	11.1	10.7	10.3	10.3	6.8	8.9	10.6	10.7	10.0
Residential Construction Inflation	9.8	10.9	8.0	11.5	13.1	12.6	13.0	13.4	13.1	12.3	10.0	12.0	13.4
Nonresidential Construction Inflation	11.5	12.4	8.3	10.5	11.3	12.0	12.8	13.4	8.8	10.5	11.0	11.3	13.4
Producers Price Inflation (WPI)	17.4	5.9	17.4	14.4	14.8	14.8	14.4	15.0	7.8	12.5	14.3	14.4	14.3
Compensation per Manhour (% change)	10.7	10.8	10.1	10.9	12.7	10.7	10.5	10.8	8.5	8.9	10.0	11.1	11.0
Productivity (% change)	-1.0	-2.8	0.1	2.0	2.3	1.7	1.6	0.4	0.5	-1.2	-0.9	1.3	2.0
Unit Labor Cost (% change)	12.1	14.0	9.9	8.7	10.2	8.8	8.8	10.3	8.0	10.2	11.1	9.7	8.9
Before Tax Corporate Profits ($ billions) <3>	260	205	222	227	243	252	258	266	206	237	229	255	314
Corporate Tax Liability <3>	102	78	85	87	93	97	99	103	85	93	88	98	121
After Tax Profits <3>	158	127	137	140	150	155	159	164	122	144	140	157	193
Profits from Current Production (with IVA, CCA)<3>	73	75	86	82	80	75	73	73	83	86	79	75	95
Adjusted for Inflation (80:1 base)	73	73	82	76	72	67	63	61	95	90	76	66	75
Percent Change - Year Ago	-23.9	-21.5	-9.1	-7.1	-0.5	-9.1	-23.7	-19.6	0.2	-5.1	-15.9	-13.6	14.2
Per Unit of Output (% of GNP)	2.9	3.0	3.3	3.1	2.9	2.7	2.5	2.4	3.9	3.6	3.1	2.6	2.9
Effective Corporate Tax Rate (%)	59	51	50	51	54	56	58	58	50	52	53	57	56
Federal Tax Receipts (Unified basis)	459	625	546	513	501	740	630	585	417	481	536	614	737
Federal Expenditures (Unified basis)	567	593	613	629	645	643	661	702	461	509	600	663	743
Surplus or Deficit (Unified basis) <1>	-108	32	-67	-116	-144	97	-31	-117	-44	-28	-65	-49	-6
Full Employment Surplus or Deficit	9	9	-1	12	18	36	40	45	-13	8	7	35	59
REAL ESTATE MARKETS													
Existing Single-Family Home Sales (thousands)	2,983	2,403	3,005	3,135	3,233	3,485	3,640	3,763	3,863	3,701	2,882	3,530	4,107
Percent Change - Year Ago	-19.5	-35.6	-21.2	-11.8	8.4	45.0	21.1	20.0	8.8	-4.2	-22.1	22.5	16.3
Dollar Volume (billions)	205.9	173.0	224.1	233.2	246.1	278.4	302.8	315.2	214.4	236.7	209.0	285.6	373.8
New Single-Family Home Sales (thousands)	530	448	624	628	700	754	785	799	817	712	557	759	822
Percent Change - Year Ago	-28.9	-37.3	-15.7	1.2	32.1	68.4	25.8	27.2	-0.2	-12.9	-20.9	36.2	8.2
Private Housing Starts (thousands)	1,263	1,053	1,367	1,433	1,563	1,583	1,625	1,689	2,020	1,744	1,279	1,615	2,081
Single-Family	802	671	954	1,006	1,130	1,168	1,214	1,266	1,433	1,193	858	1,195	1,540
Multi-Family	462	382	413	427	433	415	411	423	587	551	421	421	541
Subsidized	149	151	151	174	136	156	155	177	135	120	156	156	153
Mobile Home Shipments (thousands)	257	175	222	218	210	207	205	208	277	277	218	207	234
Housing Inventory (millions)	83.5	83.7	83.8	84.0	84.2	84.5	84.7	85.0	81.4	82.8	83.8	84.6	85.7
Rental Vacancy Rate (%)	5.0	5.4	5.1	5.0	5.0	5.1	5.1	5.1	5.0	5.3	5.1	5.1	4.9
Unsold New Homes (% of sales)	75.7	86.2	65.4	65.7	66.0	66.8	67.4	67.3	50.1	59.4	73.2	66.9	61.0
Office Vacancy Rate (%)<2>	3.4	3.5	3.7	3.8	3.9	4.0	4.1	4.1	6.4	4.4	3.6	4.0	3.8
Industrial Vacancy Rate (%)<2>	3.3	3.4	3.6	3.9	3.9	3.8	3.7	3.6	2.8	3.0	3.6	3.8	3.3
Existing Home Prices - Median ($1000's)	58.8	61.7	64.3	64.5	66.2	69.7	72.7	73.3	48.7	55.7	62.3	70.5	79.7
Percent Change - Year Ago	11.9	10.5	11.6	14.8	12.6	13.0	13.0	13.7	13.9	14.1	12.2	13.1	13.2
Monthly Mortgage Payment (P&I, 80%, 30 yr.)	544	633	561	597	618	661	688	700	333	435	584	667	738
Percent of Average Household Income	24	28	24	25	25	26	26	26	18	21	25	26	25
New Home Prices - Median ($1000's)	63.5	63.1	64.7	66.6	68.8	70.9	73.2	75.6	55.7	62.9	64.5	72.1	82.5
Percent Change - Year Ago	4.6	1.0	-1.2	6.8	8.3	12.4	13.1	13.4	13.9	12.5	2.7	11.8	14.3
New Home Prices--Mean ($1000's, Quality Adjusted)	72.0	74.1	76.6	78.2	79.9	82.5	85.6	87.7	59.6	68.1	75.2	83.9	94.9
Percent Change - Year Ago	11.3	9.8	10.2	10.8	11.0	11.3	11.7	12.1	13.8	14.2	10.5	11.6	13.1
FINANCIAL MARKETS													
Total Time and Savings Deposits (% change)	8.0	8.9	7.6	8.5	8.5	9.2	9.2	8.4	11.6	9.4	8.4	8.6	8.2
Savings Rate (%)	3.7	4.9	4.7	4.7	4.8	4.7	4.7	4.7	4.9	4.6	4.5	4.7	3.8
New Mortgage Commitments ($ billions)	77.9	46.6	69.1	76.4	88.9	103.9	111.6	121.8	142.4	129.0	67.2	106.5	126.5
Percent Change - Year Ago	-38.8	-66.5	-51.0	-31.0	14.1	123.0	63.9	59.5	2.2	-9.4	-47.9	58.4	18.7
Mortgage Debt Outstanding ($ billions)	1,364	1,370	1,379	1,393	1,417	1,448	1,481	1,510	1,113	1,272	1,376	1,464	1,575
Money Supply (M2) (% change)	5.7	4.9	5.9	7.4	8.9	10.0	9.5	8.8	8.6	8.0	7.3	8.3	8.1
New Home Mortgage Commitment Rate (%)	13.64	15.23	12.79	13.65	13.77	14.01	13.98	14.10	9.69	11.35	13.53	13.96	13.66
Prime Rate (%)	16.40	16.32	11.72	12.64	12.98	13.21	13.48	13.78	9.06	12.67	14.27	13.36	13.49
Federal Funds Rate (%)	15.05	12.69	9.81	11.61	11.60	12.29	12.66	13.18	7.93	11.19	12.29	12.43	13.29

<1> Assumptions include a $20 billion cut in personal tax liabilities and a $5 billion (annual rate) cut in corporate income taxes beginning 1981:1; resumption of pre-war oil production in Iraq and Iran by 1981:1.
<2> Historical data courtesy of Coldwell Banker.
<3> Adjusted to include impact of windfall profits tax on domestic crude oil production.

Source: Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Hugh Graham, Kenneth Kerin, and Glenn Crellin.